



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

Solicitation

NUMBER
WWV14869

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
BETH COLLINS 304-558-2157

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

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O
WORKFORCE WEST VIRGINIA
OFFICE OF ADMIN. SUPPORT-5302
112 CALIFORNIA AVENUE
CHARLESTON, WV
25305-0112 304-558-2631

DATE PRINTED
06/04/2014

BID OPENING DATE: 07/10/2014

BID OPENING TIME 1:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		946-20		<u>\$30,000.⁰⁰/_{XX}</u>
AUDITING SERVICES						
REQUEST FOR QUOTATION (RFQ)						
THE WEST VIRGINIA PURCHASING DIVISION FOR THE AGENCY, WORKFORCE WEST VIRGINIA, IS SOLICITING BIDS FOR AN OPEN-END CONTRACT FOR AUDITING OF AGENCY FINANCIAL STATEMENTS PER THE ATTACHED SPECIFICATIONS.						
***** THIS IS THE END OF RFQ WWV14869 ***** TOTAL:						<u>\$30,000.⁰⁰/_{XX}</u>
07/07/14 10:09:29AM West Virginia Purchasing Division.						

SIGNATURE	TELEPHONE	DATE
<i>Mark A. Bales</i>	740-289-4131	7-2-14
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
VP-DIRECTOR	31-1413363	

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

INSTRUCTIONS TO VENDORS SUBMITTING BIDS

1. **REVIEW DOCUMENTS THOROUGHLY:** The attached documents contain a solicitation for bids. Please read these instructions and all documents attached in their entirety. These instructions provide critical information about requirements that if overlooked could lead to disqualification of a Vendor's bid. All bids must be submitted in accordance with the provisions contained in these instructions and the Solicitation. Failure to do so may result in disqualification of Vendor's bid.
2. **MANDATORY TERMS:** The Solicitation may contain mandatory provisions identified by the use of the words "must," "will," and "shall." Failure to comply with a mandatory term in the Solicitation will result in bid disqualification.
3. **PREBID MEETING:** The item identified below shall apply to this Solicitation.

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A pre-bid meeting will not be held prior to bid opening.

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A **NON-MANDATORY PRE-BID** meeting will be held at the following place and time:

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A **MANDATORY PRE-BID** meeting will be held at the following place and time:

All Vendors submitting a bid must attend the mandatory pre-bid meeting. Failure to attend the mandatory pre-bid meeting shall result in disqualification of the Vendor's bid. No one person attending the pre-bid meeting may represent more than one Vendor.

An attendance sheet provided at the pre-bid meeting shall serve as the official document verifying attendance. The State will not accept any other form of proof or documentation to verify attendance. Any person attending the pre-bid meeting on behalf of a Vendor must list on the attendance sheet his or her name and the name of the Vendor he or she is representing. Additionally, the person attending the pre-bid meeting should include the Vendor's E-Mail address, phone number, and Fax number on the attendance sheet. It is the Vendor's responsibility to locate the attendance sheet and provide the required information. Failure to complete the attendance sheet as required may result in disqualification of Vendor's bid.

All Vendors should arrive prior to the starting time for the pre-bid. Vendors who arrive after the starting time but prior to the end of the pre-bid will be permitted to sign in, but are charged with knowing all matters discussed at the pre-bid.

Questions submitted at least five business days prior to a scheduled pre-bid will be discussed at the pre-bid meeting if possible. Any discussions or answers to questions at the pre-bid meeting are preliminary in nature and are non-binding. Official and binding answers to questions will be published in a written addendum to the Solicitation prior to bid opening.

4. **VENDOR QUESTION DEADLINE:** Vendors may submit questions relating to this Solicitation to the Purchasing Division. Questions must be submitted in writing. All questions must be submitted on or before the date listed below and to the address listed below in order to be considered. A written response will be published in a Solicitation addendum if a response is possible and appropriate. Non-written discussions, conversations, or questions and answers regarding this Solicitation are preliminary in nature and are non-binding.

Question Submission Deadline: June 23, 2014 at 5:00 PM, EST

Submit Questions to: Beth A. Collins, Senior Buyer

2019 Washington Street, East

Charleston, WV 25305

Fax: (304) 558-4115

(Vendors should not use this fax number for bid submission)

Email: beth.a.collins@wv.gov

5. **VERBAL COMMUNICATION:** Any verbal communication between the Vendor and any State personnel is not binding, including that made at the mandatory pre-bid conference. Only information issued in writing and added to the Solicitation by an official written addendum by the Purchasing Division is binding.
6. **BID SUBMISSION:** All bids must be signed and delivered by the Vendor to the Purchasing Division at the address listed below on or before the date and time of the bid opening. Any bid received by the Purchasing Division staff is considered to be in the possession of the Purchasing Division and will not be returned for any reason. The Purchasing Division will not accept bids, modification of bids, or addendum acknowledgment forms via e-mail. Acceptable delivery methods include hand delivery, delivery by courier, or facsimile. The bid delivery address is:

Department of Administration, Purchasing Division

2019 Washington Street East

Charleston, WV 25305-0130

The bid should contain the information listed below on the face of the envelope or the bid may not be considered:

SEALED BID: _____
 BUYER: _____
 SOLICITATION NO.: _____
 BID OPENING DATE: _____
 BID OPENING TIME: _____
 FAX NUMBER: _____

In the event that Vendor is responding to a request for proposal, the Vendor shall submit one original technical and one original cost proposal plus _____ convenience copies of each to the Purchasing Division at the address shown above. Additionally, the Vendor should identify the bid type as either a technical or cost proposal on the face of each bid envelope submitted in response to a request for proposal as follows:

BID TYPE: ☐ Technical
☐ Cost

7. **BID OPENING:** Bids submitted in response to this Solicitation will be opened at the location identified below on the date and time listed below. Delivery of a bid after the bid opening date and time will result in bid disqualification. For purposes of this Solicitation, a bid is considered delivered when time stamped by the official Purchasing Division time clock.

Bid Opening Date and Time: July 10, 2014 at 1:30 PM, EST

Bid Opening Location: Department of Administration, Purchasing Division
 2019 Washington Street East
 Charleston, WV 25305-0130

8. **ADDENDUM ACKNOWLEDGEMENT:** Changes or revisions to this Solicitation will be made by an official written addendum issued by the Purchasing Division. Vendor should acknowledge receipt of all addenda issued with this Solicitation by completing an Addendum Acknowledgment Form, a copy of which is included herewith. Failure to acknowledge addenda may result in bid disqualification. The addendum acknowledgement should be submitted with the bid to expedite document processing.
9. **BID FORMATTING:** Vendor should type or electronically enter the information onto its bid to prevent errors in the evaluation. Failure to type or electronically enter the information may result in bid disqualification.

GENERAL TERMS AND CONDITIONS:

1. **CONTRACTUAL AGREEMENT:** Issuance of a Purchase Order signed by the Purchasing Division Director, or his designee, and approved as to form by the Attorney General's office constitutes acceptance of this Contract made by and between the State of West Virginia and the Vendor. Vendor's signature on its bid signifies Vendor's agreement to be bound by and accept the terms and conditions contained in this Contract.

2. **DEFINITIONS:** As used in this Solicitation/Contract, the following terms shall have the meanings attributed to them below. Additional definitions may be found in the specifications included with this Solicitation/Contract.
 - 2.1 **"Agency" or "Agencies"** means the agency, board, commission, or other entity of the State of West Virginia that is identified on the first page of the Solicitation or any other public entity seeking to procure goods or services under this Contract.

 - 2.2 **"Contract"** means the binding agreement that is entered into between the State and the Vendor to provide the goods and services requested in the Solicitation.

 - 2.3 **"Director"** means the Director of the West Virginia Department of Administration, Purchasing Division.

 - 2.4 **"Purchasing Division"** means the West Virginia Department of Administration, Purchasing Division.

 - 2.5 **"Purchase Order"** means the document signed by the Agency and the Purchasing Division, and approved as to form by the Attorney General, that identifies the Vendor as the successful bidder and Contract holder.

 - 2.6 **"Solicitation"** means the official solicitation published by the Purchasing Division and identified by number on the first page thereof.

 - 2.7 **"State"** means the State of West Virginia and/or any of its agencies, commissions, boards, etc. as context requires.

 - 2.8 **"Vendor" or "Vendors"** means any entity submitting a bid in response to the Solicitation, the entity that has been selected as the lowest responsible bidder, or the entity that has been awarded the Contract as context requires.

3. **CONTRACT TERM; RENEWAL; EXTENSION:** The term of this Contract shall be determined in accordance with the category that has been identified as applicable to this Contract below:

☒ **Term Contract**

Initial Contract Term: This Contract becomes effective on award
and extends for a period of one year(s).

Renewal Term: This Contract may be renewed upon the mutual written consent of the Agency, and the Vendor, with approval of the Purchasing Division and the Attorney General's office (Attorney General approval is as to form only). Any request for renewal should be submitted to the Purchasing Division thirty (30) days prior to the expiration date of the initial contract term or appropriate renewal term. A Contract renewal shall be in accordance with the terms and conditions of the original contract. Renewal of this Contract is limited to two successive one (1) year periods or multiple renewal periods of less than one year, provided that the multiple renewal periods do not exceed months in total. Automatic renewal of this Contract is prohibited. Notwithstanding the foregoing, Purchasing Division approval is not required on agency delegated or exempt purchases. Attorney General approval may be required for vendor terms and conditions.

Release Order Limitations: In the event that this contract permits release orders, a release order may only be issued during the time this Contract is in effect. Any release order issued within one year of the expiration of this Contract shall be effective for one year from the date the release order is issued. No release order may be extended beyond one year after this Contract has expired.

☐ **Fixed Period Contract:** This Contract becomes effective upon Vendor's receipt of the notice to proceed and must be completed within days.

☐ **One Time Purchase:** The term of this Contract shall run from the issuance of the Purchase Order until all of the goods contracted for have been delivered, but in no event shall this Contract extend for more than one fiscal year.

☐ **Other:** See attached.

4. **NOTICE TO PROCEED:** Vendor shall begin performance of this Contract immediately upon receiving notice to proceed unless otherwise instructed by the Agency. Unless otherwise specified, the fully executed Purchase Order will be considered notice to proceed

5. **QUANTITIES:** The quantities required under this Contract shall be determined in accordance with the category that has been identified as applicable to this Contract below.

☒ **Open End Contract:** Quantities listed in this Solicitation are approximations only, based on estimates supplied by the Agency. It is understood and agreed that the Contract shall cover the quantities actually ordered for delivery during the term of the Contract, whether more or less than the quantities shown.

- ☐ **Service:** The scope of the service to be provided will be more clearly defined in the specifications included herewith.
- ☒ **Combined Service and Goods:** The scope of the service and deliverable goods to be provided will be more clearly defined in the specifications included herewith.
- ☐ **One Time Purchase:** This Contract is for the purchase of a set quantity of goods that are identified in the specifications included herewith. Once those items have been delivered, no additional goods may be procured under this Contract without an appropriate change order approved by the Vendor, Agency, Purchasing Division, and Attorney General's office.
6. **PRICING:** The pricing set forth herein is firm for the life of the Contract, unless specified elsewhere within this Solicitation/Contract by the State. A Vendor's inclusion of price adjustment provisions in its bid, without an express authorization from the State in the Solicitation to do so, may result in bid disqualification.
7. **EMERGENCY PURCHASES:** The Purchasing Division Director may authorize the Agency to purchase goods or services in the open market that Vendor would otherwise provide under this Contract if those goods or services are for immediate or expedited delivery in an emergency. Emergencies shall include, but are not limited to, delays in transportation or an unanticipated increase in the volume of work. An emergency purchase in the open market, approved by the Purchasing Division Director, shall not constitute a breach of this Contract and shall not entitle the Vendor to any form of compensation or damages. This provision does not excuse the State from fulfilling its obligations under a One Time Purchase contract.
8. **REQUIRED DOCUMENTS:** All of the items checked below must be provided to the Purchasing Division by the Vendor as specified below.
- ☐ **BID BOND:** All Vendors shall furnish a bid bond in the amount of five percent (5%) of the total amount of the bid protecting the State of West Virginia. The bid bond must be submitted with the bid.
- ☐ **PERFORMANCE BOND:** The apparent successful Vendor shall provide a performance bond in the amount of _____. The performance bond must be issued and received by the Purchasing Division prior to Contract award. On construction contracts, the performance bond must be 100% of the Contract value.
- ☐ **LABOR/MATERIAL PAYMENT BOND:** The apparent successful Vendor shall provide a labor/material payment bond in the amount of 100% of the Contract value. The labor/material payment bond must be issued and delivered to the Purchasing Division prior to Contract award.

In lieu of the Bid Bond, Performance Bond, and Labor/Material Payment Bond, the Vendor may provide certified checks, cashier's checks, or irrevocable letters of credit. Any certified check, cashier's check, or irrevocable letter of credit provided in lieu of a bond must be of the same amount and delivered on the same schedule as the bond it replaces. A letter of credit submitted in lieu of a

performance and labor/material payment bond will only be allowed for projects under \$100,000. Personal or business checks are not acceptable.

☐ **MAINTENANCE BOND:** The apparent successful Vendor shall provide a two (2) year maintenance bond covering the roofing system. The maintenance bond must be issued and delivered to the Purchasing Division prior to Contract award.

☐ **WORKERS' COMPENSATION INSURANCE:** The apparent successful Vendor shall have appropriate workers' compensation insurance and shall provide proof thereof upon request.

☐ **INSURANCE:** The apparent successful Vendor shall furnish proof of the following insurance prior to Contract award and shall list the state as a certificate holder:

☐ **Commercial General Liability Insurance:**
or more.

☐ **Builders Risk Insurance:** builders risk – all risk insurance in an amount equal to 100% of the amount of the Contract.

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The apparent successful Vendor shall also furnish proof of any additional insurance requirements contained in the specifications prior to Contract award regardless of whether or not that insurance requirement is listed above.

☐ **LICENSE(S) / CERTIFICATIONS / PERMITS:** In addition to anything required under the Section entitled Licensing, of the General Terms and Conditions, the apparent successful Vendor shall furnish proof of the following licenses, certifications, and/or permits prior to Contract award, in a form acceptable to the Purchasing Division.

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The apparent successful Vendor shall also furnish proof of any additional licenses or certifications contained in the specifications prior to Contract award regardless of whether or not that requirement is listed above.

9. **LITIGATION BOND:** The Director reserves the right to require any Vendor that files a protest of an award to submit a litigation bond in the amount equal to one percent of the lowest bid submitted or \$5,000, whichever is greater. The entire amount of the bond shall be forfeited if the hearing officer determines that the protest was filed for frivolous or improper purpose, including but not limited to, the purpose of harassing, causing unnecessary delay, or needless expense for the Agency. All litigation bonds shall be made payable to the Purchasing Division. In lieu of a bond, the protester may submit a cashier's check or certified check payable to the Purchasing Division. Cashier's or certified checks will be deposited with and held by the State Treasurer's office. If it is determined that the protest has not been filed for frivolous or improper purpose, the bond or deposit shall be returned in its entirety.
10. **ALTERNATES:** Any model, brand, or specification listed herein establishes the acceptable level of quality only and is not intended to reflect a preference for, or in any way favor, a particular brand or vendor. Vendors may bid alternates to a listed model or brand provided that the alternate is at least equal to the model or brand and complies with the required specifications. The equality of any alternate being bid shall be determined by the State at its sole discretion. Any Vendor bidding an alternate model or brand should clearly identify the alternate items in its bid and should include manufacturer's specifications, industry literature, and/or any other relevant documentation demonstrating the equality of the alternate items. Failure to provide information for alternate items may be grounds for rejection of a Vendor's bid.
11. **EXCEPTIONS AND CLARIFICATIONS:** The Solicitation contains the specifications that shall form the basis of a contractual agreement. Vendor shall clearly mark any exceptions, clarifications, or other proposed modifications in its bid. Exceptions to, clarifications of, or modifications of a requirement or term and condition of the Solicitation may result in bid disqualification.
12. **LIQUIDATED DAMAGES:** Vendor shall pay liquidated damages in the amount
for

This clause shall in no way be considered exclusive and shall not limit the State or Agency's right to pursue any other available remedy.
13. **ACCEPTANCE/REJECTION:** The State may accept or reject any bid in whole, or in part. Vendor's signature on its bid signifies acceptance of the terms and conditions contained in the Solicitation and Vendor agrees to be bound by the terms of the Contract, as reflected in the Purchase Order, upon receipt.
14. **REGISTRATION:** Prior to Contract award, the apparent successful Vendor must be properly registered with the West Virginia Purchasing Division and must have paid the \$125 fee if applicable.
15. **COMMUNICATION LIMITATIONS:** In accordance with West Virginia Code of State Rules §148-1-6.6, communication with the State of West Virginia or any of its employees regarding this Solicitation

during the solicitation, bid, evaluation or award periods, except through the Purchasing Division, is strictly prohibited without prior Purchasing Division approval. Purchasing Division approval for such communication is implied for all agency delegated and exempt purchases.

16. **FUNDING:** This Contract shall continue for the term stated herein, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise made available, this Contract becomes void and of no effect beginning on July 1 of the fiscal year for which funding has not been appropriated or otherwise made available.
17. **PAYMENT:** Payment in advance is prohibited under this Contract. Payment may only be made after the delivery and acceptance of goods or services. The Vendor shall submit invoices, in arrears, to the Agency at the address on the face of the purchase order labeled "Invoice To."
18. **UNIT PRICE:** Unit prices shall prevail in cases of a discrepancy in the Vendor's bid.
19. **DELIVERY:** All quotations are considered freight on board destination ("F.O.B. destination") unless alternate shipping terms are clearly identified in the bid. Vendor's listing of shipping terms that contradict the shipping terms expressly required by this Solicitation may result in bid disqualification.
20. **INTEREST:** Interest attributable to late payment will only be permitted if authorized by the West Virginia Code. Presently, there is no provision in the law for interest on late payments.
21. **PREFERENCE:** Vendor Preference may only be granted upon written request and only in accordance with the West Virginia Code § 5A-3-37 and the West Virginia Code of State Rules. A Resident Vendor Certification form has been attached hereto to allow Vendor to apply for the preference. Vendor's failure to submit the Resident Vendor Certification form with its bid will result in denial of Vendor Preference. Vendor Preference does not apply to construction projects.
22. **SMALL, WOMEN-OWNED, OR MINORITY-OWNED BUSINESSES:** For any solicitations publicly advertised for bid on or after July 1, 2012, in accordance with West Virginia Code § 5A-3-37(a)(7) and W. Va. CSR § 148-22-9, any non-resident vendor certified as a small, women-owned, or minority-owned business under W. Va. CSR § 148-22-9 shall be provided the same preference made available to any resident vendor. Any non-resident small, women-owned, or minority-owned business must identify itself as such in writing, must submit that writing to the Purchasing Division with its bid, and must be properly certified under W. Va. CSR § 148-22-9 prior to submission of its bid to receive the preferences made available to resident vendors. Preference for a non-resident small, women-owned, or minority owned business shall be applied in accordance with W. Va. CSR § 148-22-9.
23. **TAXES:** The Vendor shall pay any applicable sales, use, personal property or any other taxes arising out of this Contract and the transactions contemplated thereby. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
24. **CANCELLATION:** The Purchasing Division Director reserves the right to cancel this Contract immediately upon written notice to the vendor if the materials or workmanship supplied do not conform to the specifications contained in the Contract.

The Purchasing Division Director may cancel any purchase or Contract upon 30 days written notice to the Vendor in accordance with West Virginia Code of State Rules § 148-1-7.16.2.

- 25. WAIVER OF MINOR IRREGULARITIES:** The Director reserves the right to waive minor irregularities in bids or specifications in accordance with West Virginia Code of State Rules § 148-1-4.6.
- 26. TIME:** Time is of the essence with regard to all matters of time and performance in this Contract.
- 27. APPLICABLE LAW:** This Contract is governed by and interpreted under West Virginia law without giving effect to its choice of law principles. Any information provided in specification manuals, or any other source, verbal or written, which contradicts or violates the West Virginia Constitution, West Virginia Code or West Virginia Code of State Rules is void and of no effect.
- 28. COMPLIANCE:** Vendor shall comply with all applicable federal, state, and local laws, regulations and ordinances. By submitting a bid, Vendors acknowledge that they have reviewed, understand, and will comply with all applicable law.
- 29. PREVAILING WAGE:** On any contract for the construction of a public improvement, Vendor and any subcontractors utilized by Vendor shall pay a rate or rates of wages which shall not be less than the fair minimum rate or rates of wages (prevailing wage), as established by the West Virginia Division of Labor under West Virginia Code §§ 21-5A-1 et seq. and available at <http://www.sos.wv.gov/administrative-law/wagerates/Pages/default.aspx>. Vendor shall be responsible for ensuring compliance with prevailing wage requirements and determining when prevailing wage requirements are applicable. The required contract provisions contained in West Virginia Code of State Rules § 42-7-3 are specifically incorporated herein by reference.
- 30. ARBITRATION:** Any references made to arbitration contained in this Contract, Vendor's bid, or in any American Institute of Architects documents pertaining to this Contract are hereby deleted, void, and of no effect.
- 31. MODIFICATIONS:** This writing is the parties' final expression of intent. Notwithstanding anything contained in this Contract to the contrary, no modification of this Contract shall be binding without mutual written consent of the Agency, and the Vendor, with approval of the Purchasing Division and the Attorney General's office (Attorney General approval is as to form only). **No Change shall be implemented by the Vendor until such time as the Vendor receives an approved written change order from the Purchasing Division.**
- 32. WAIVER:** The failure of either party to insist upon a strict performance of any of the terms or provision of this Contract, or to exercise any option, right, or remedy herein contained, shall not be construed as a waiver or a relinquishment for the future of such term, provision, option, right, or remedy, but the same shall continue in full force and effect. Any waiver must be expressly stated in writing and signed by the waiving party.
- 33. SUBSEQUENT FORMS:** The terms and conditions contained in this Contract shall supersede any and all subsequent terms and conditions which may appear on any form documents submitted by Vendor to the Agency or Purchasing Division such as price lists, order forms, invoices, sales agreements, or

maintenance agreements, and includes internet websites or other electronic documents. Acceptance or use of Vendor's forms does not constitute acceptance of the terms and conditions contained thereon.

34. **ASSIGNMENT:** Neither this Contract nor any monies due, or to become due hereunder, may be assigned by the Vendor without the express written consent of the Agency, the Purchasing Division, the Attorney General's office (as to form only), and any other government agency or office that may be required to approve such assignments. Notwithstanding the foregoing, Purchasing Division approval may or may not be required on certain agency delegated or exempt purchases.
35. **WARRANTY:** The Vendor expressly warrants that the goods and/or services covered by this Contract will: (a) conform to the specifications, drawings, samples, or other description furnished or specified by the Agency; (b) be merchantable and fit for the purpose intended; and (c) be free from defect in material and workmanship.
36. **STATE EMPLOYEES:** State employees are not permitted to utilize this Contract for personal use and the Vendor is prohibited from permitting or facilitating the same.
37. **BANKRUPTCY:** In the event the Vendor files for bankruptcy protection, the State of West Virginia may deem this Contract null and void, and terminate this Contract without notice.
38. **[RESERVED]**
39. **CONFIDENTIALITY:** The Vendor agrees that it will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the Agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the Agency's policies, procedures, and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/default.html>.
40. **DISCLOSURE:** Vendor's response to the Solicitation and the resulting Contract are considered public documents and will be disclosed to the public in accordance with the laws, rules, and policies governing the West Virginia Purchasing Division. Those laws include, but are not limited to, the Freedom of Information Act found in West Virginia Code § 29B-1-1 et seq.

If a Vendor considers any part of its bid to be exempt from public disclosure, Vendor must so indicate by specifically identifying the exempt information, identifying the exemption that applies, providing a detailed justification for the exemption, segregating the exempt information from the general bid information, and submitting the exempt information as part of its bid but in a segregated and clearly identifiable format. Failure to comply with the foregoing requirements will result in public disclosure of the Vendor's bid without further notice. A Vendor's act of marking all or nearly all of its bid as exempt is not sufficient to avoid disclosure and WILL NOT BE HONORED. Vendor's act of marking a bid or any part thereof as "confidential" or "proprietary" is not sufficient to avoid disclosure and WILL NOT BE HONORED. In addition, a legend or other statement indicating that all or substantially all of the bid is exempt from disclosure is not sufficient to avoid disclosure and WILL NOT BE HONORED.

Vendor will be required to defend any claimed exemption for nondisclosure in the event of an administrative or judicial challenge to the State's nondisclosure. Vendor must indemnify the State for any costs incurred related to any exemptions claimed by Vendor. Any questions regarding the applicability of the various public records laws should be addressed to your own legal counsel prior to bid submission.

- 41. LICENSING:** In accordance with West Virginia Code of State Rules §148-1-6.1.7, Vendor must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agency or political subdivision. Upon request, the Vendor must provide all necessary releases to obtain information to enable the Purchasing Division Director or the Agency to verify that the Vendor is licensed and in good standing with the above entities.
- 42. ANTITRUST:** In submitting a bid to, signing a contract with, or accepting a Purchase Order from any agency of the State of West Virginia, the Vendor agrees to convey, sell, assign, or transfer to the State of West Virginia all rights, title, and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the State of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to Vendor.
- 43. VENDOR CERTIFICATIONS:** By signing its bid or entering into this Contract, Vendor certifies (1) that its bid was made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership, person or entity submitting a bid for the same material, supplies, equipment or services; (2) that its bid is in all respects fair and without collusion or fraud; (3) that this Contract is accepted or entered into without any prior understanding, agreement, or connection to any other entity that could be considered a violation of law; and (4) that it has reviewed this RFQ in its entirety, understands the requirements, terms and conditions, and other information contained herein. Vendor's signature on its bid also affirms that neither it nor its representatives have any interest, nor shall acquire any interest, direct or indirect, which would compromise the performance of its services hereunder. Any such interests shall be promptly presented in detail to the Agency.

The individual signing this bid on behalf of Vendor certifies that he or she is authorized by the Vendor to execute this bid or any documents related thereto on Vendor's behalf; that he or she is authorized to bind the Vendor in a contractual relationship; and that, to the best of his or her knowledge, the Vendor has properly registered with any State agency that may require registration.

- 44. PURCHASING CARD ACCEPTANCE:** The State of West Virginia currently utilizes a Purchasing Card program, administered under contract by a banking institution, to process payment for goods and services. The Vendor must accept the State of West Virginia's Purchasing Card for payment of all orders under this Contract unless the box below is checked.



Vendor is not required to accept the State of West Virginia's Purchasing Card as payment for all goods and services.

- 45. VENDOR RELATIONSHIP:** The relationship of the Vendor to the State shall be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by this Contract. The Vendor as an independent contractor is solely liable for the acts and omissions of its employees and agents. Vendor shall be responsible for selecting, supervising, and compensating any and all individuals employed pursuant to the terms of this Solicitation and resulting contract. Neither the Vendor, nor any employees or subcontractors of the Vendor, shall be deemed to be employees of the State for any purpose whatsoever. Vendor shall be exclusively responsible for payment of employees and contractors for all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension, or other deferred compensation plans, including but not limited to, Workers' Compensation and Social Security obligations, licensing fees, *etc.* and the filing of all necessary documents, forms, and returns pertinent to all of the foregoing. Vendor shall hold harmless the State, and shall provide the State and Agency with a defense against any and all claims including, but not limited to, the foregoing payments, withholdings, contributions, taxes, Social Security taxes, and employer income tax returns.
- 46. INDEMNIFICATION:** The Vendor agrees to indemnify, defend, and hold harmless the State and the Agency, their officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person, or firm performing or supplying services, materials, or supplies in connection with the performance of the Contract; (2) Any claims or losses resulting to any person or entity injured or damaged by the Vendor, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use, or disposition of any data used under the Contract in a manner not authorized by the Contract, or by Federal or State statutes or regulations; and (3) Any failure of the Vendor, its officers, employees, or subcontractors to observe State and Federal laws including, but not limited to, labor and wage and hour laws.
- 47. PURCHASING AFFIDAVIT:** In accordance with West Virginia Code § 5A-3-10a, all Vendors are required to sign, notarize, and submit the Purchasing Affidavit stating that neither the Vendor nor a related party owe a debt to the State in excess of \$1,000. The affidavit must be submitted prior to award, but should be submitted with the Vendor's bid. A copy of the Purchasing Affidavit is included herewith.
- 48. ADDITIONAL AGENCY AND LOCAL GOVERNMENT USE:** This Contract may be utilized by and extends to other agencies, spending units, and political subdivisions of the State of West Virginia; county, municipal, and other local government bodies; and school districts ("Other Government Entities"). This Contract shall be extended to the aforementioned Other Government Entities on the same prices, terms, and conditions as those offered and agreed to in this Contract. If the Vendor does not wish to extend the prices, terms, and conditions of its bid and subsequent contract to the Other Government Entities, the Vendor must clearly indicate such refusal in its bid. A refusal to extend this Contract to the Other Government Entities shall not impact or influence the award of this Contract in any manner.
- 49. CONFLICT OF INTEREST:** Vendor, its officers or members or employees, shall not presently have or acquire any interest, direct or indirect, which would conflict with or compromise the performance of its obligations hereunder.

Vendor shall periodically inquire of its officers, members and employees to ensure that a conflict of interest does not arise. Any conflict of interest discovered shall be promptly presented in detail to the Agency.

50. REPORTS: Vendor shall provide the Agency and/or the Purchasing Division with the following reports identified by a checked box below:

- ☐ Such reports as the Agency and/or the Purchasing Division may request. Requested reports may include, but are not limited to, quantities purchased, agencies utilizing the contract, total contract expenditures by agency, etc.
- ☐ Quarterly reports detailing the total quantity of purchases in units and dollars, along with a listing of purchases by agency. Quarterly reports should be delivered to the Purchasing Division via email at purchasing.requisitions@wv.gov.

51. BACKGROUND CHECK: In accordance with W. Va. Code § 15-2D-3, the Director of the Division of Protective Services shall require any service provider whose employees are regularly employed on the grounds or in the buildings of the Capitol complex or who have access to sensitive or critical information to submit to a fingerprint-based state and federal background inquiry through the state repository. The service provider is responsible for any costs associated with the fingerprint-based state and federal background inquiry.

After the contract for such services has been approved, but before any such employees are permitted to be on the grounds or in the buildings of the Capitol complex or have access to sensitive or critical information, the service provider shall submit a list of all persons who will be physically present and working at the Capitol complex to the Director of the Division of Protective Services for purposes of verifying compliance with this provision.

The State reserves the right to prohibit a service provider's employees from accessing sensitive or critical information or to be present at the Capitol complex based upon results addressed from a criminal background check.

Service providers should contact the West Virginia Division of Protective Services by phone at (304) 558-9911 for more information.

52. PREFERENCE FOR USE OF DOMESTIC STEEL PRODUCTS: Except when authorized by the Director of the Purchasing Division pursuant to W. Va. Code § 5A-3-56, no contractor may use or supply steel products for a State Contract Project other than those steel products made in the United States. A contractor who uses steel products in violation of this section may be subject to civil penalties pursuant to W. Va. Code § 5A-3-56. As used in this section:

- a. "State Contract Project" means any erection or construction of, or any addition to, alteration of or other improvement to any building or structure, including, but not limited to, roads or highways, or the installation of any heating or cooling or ventilating plants or other equipment, or the supply of and materials for such projects, pursuant to a contract with the State of West Virginia for which bids were solicited on or after June 6, 2001.

- b. "Steel Products" means products rolled, formed, shaped, drawn, extruded, forged, cast, fabricated or otherwise similarly processed, or processed by a combination of two or more or such operations, from steel made by the open heath, basic oxygen, electric furnace, Bessemer or other steel making process.

The Purchasing Division Director may, in writing, authorize the use of foreign steel products if:

- a. The cost for each contract item used does not exceed one tenth of one percent (.1%) of the total contract cost or two thousand five hundred dollars (\$2,500.00), whichever is greater. For the purposes of this section, the cost is the value of the steel product as delivered to the project; or
- b. The Director of the Purchasing Division determines that specified steel materials are not produced in the United States in sufficient quantity or otherwise are not reasonably available to meet contract requirements.

53. PREFERENCE FOR USE OF DOMESTIC ALUMINUM, GLASS, AND STEEL: In Accordance with W. Va. Code § 5-19-1 et seq., and W. Va. CSR § 148-10-1 et seq., for every contract or subcontract, subject to the limitations contained herein, for the construction, reconstruction, alteration, repair, improvement or maintenance of public works or for the purchase of any item of machinery or equipment to be used at sites of public works, only domestic aluminum, glass or steel products shall be supplied unless the spending officer determines, in writing, after the receipt of offers or bids, (1) that the cost of domestic aluminum, glass or steel products is unreasonable or inconsistent with the public interest of the State of West Virginia, (2) that domestic aluminum, glass or steel products are not produced in sufficient quantities to meet the contract requirements, or (3) the available domestic aluminum, glass, or steel do not meet the contract specifications. This provision only applies to public works contracts awarded in an amount more than fifty thousand dollars (\$50,000) or public works contracts that require more than ten thousand pounds of steel products.

The cost of domestic aluminum, glass, or steel products may be unreasonable if the cost is more than twenty percent (20%) of the bid or offered price for foreign made aluminum, glass, or steel products. If the domestic aluminum, glass or steel products to be supplied or produced in a "substantial labor surplus area", as defined by the United States Department of Labor, the cost of domestic aluminum, glass, or steel products may be unreasonable if the cost is more than thirty percent (30%) of the bid or offered price for foreign made aluminum, glass, or steel products.

This preference shall be applied to an item of machinery or equipment, as indicated above, when the item is a single unit of equipment or machinery manufactured primarily of aluminum, glass or steel, is part of a public works contract and has the sole purpose or of being a permanent part of a single public works project. This provision does not apply to equipment or machinery purchased by a spending unit for use by that spending unit and not as part of a single public works project.

All bids and offers including domestic aluminum, glass or steel products that exceed bid or offer prices including foreign aluminum, glass or steel products after application of the preferences provided in this provision may be reduced to a price equal to or lower than the lowest bid or offer price for foreign aluminum, glass or steel products plus the applicable preference.

If the reduced bid or offer prices are made in writing and supersede the prior bid or offer prices, all bids or offers, including the reduced bid or offer prices, will be reevaluated in accordance with this rule.

REQUEST FOR QUOTATION
WWV14869- Auditing Services

SPECIFICATIONS

1. **PURPOSE AND SCOPE:** The West Virginia Purchasing Division is soliciting bids on behalf of WorkForce West Virginia to establish a contract with a certified public accounting firm to audit agency financial statements for the fiscal year ending June 30, 2013. The auditing firm shall issue an opinion on the fair presentation, in conformity with Generally Accepted Accounting Principles, of its general purpose financial statements that will include all WorkForce West Virginia Programs (the audit for fiscal year 2013 forward and must be audited in accordance with Government Auditing Standards, issued by the Comptroller General of the United States). This work is to include providing technical assistance to WorkForce West Virginia's financial personnel for the continuation of GASB 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and the continuation of SAS 99 which revises guidance on the consideration of fraud in financial statement audits. WorkForce West Virginia desires the auditing firm to express an opinion on the fair presentation of its financial statements and schedules in conformity with Generally Accepted Accounting Principles. The auditing firm is required to audit the additional financial information schedules required by the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration. The auditing firm shall also be responsible for performing certain limited procedures involving required supplementary information required by Governmental Accounting Standards Board as mandated by Generally Accepted Auditing Standards. All work under the proposed contract will be under the direction of the Executive Director of WorkForce West Virginia or his designee. Written reports must be submitted initially in draft form in order that any necessary changes may be discussed and agreed upon before final acceptance. Any public statements, which may be required, must be discussed with the Executive Director or designee prior to the statements being made or released.

- 1.1 The accounting staff of WorkForce West Virginia, as well as management, will be available during the audit to assist the auditing firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the auditor. An appropriate number of hours of clerical support will be made available to the auditing firm for preparation of routine conformation and/or informational letters and memoranda. The agency will provide the auditing firm with workspace, desks, and chairs. The auditing firm will also be provided with access to telephone lines, internet access, photocopying facilities, and fax machines. The firm will provide WorkForce with an estimate of the number of personnel to be assigned to the audit in the detailed audit plan. Final report preparation, editing, and printing shall be the responsibility of the auditing firm. No internal audit support will be available.

REQUEST FOR QUOTATION
WWV14869- Auditing Services

2. DEFINITIONS: The terms listed below shall have the meanings assigned to them below. Additional definitions can be found in section 2 of the General Terms and Conditions.

2.1 “Contract Item” Certified public accounting firm to perform audit of agency Financial Statements for fiscal year ending June 30, 2013 with the option of two (2) subsequent fiscal years

2.2 “Pricing Page” means the pages upon which Vendor should list its proposed price for the Contract Items in the manner requested. The Pricing Page is either included on the last page of this RFQ or attached hereto as Exhibit A.

2.3 “RFQ” means the official request for quotation published by the Purchasing Division and identified as WWV14869.

2.4 “FARS” means Financial Accounting and Reporting Section of the WV Department of Administration

2.5 “INDEPENDENCE” means in all matters to the audit work, the audit organization and the individual auditors, whether government or public, should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance.

2.6 “FAM” means the Fiscal and Administrative Management Division of WorkForce West Virginia.

2.7 “GASB” means Government Accounting Standards Board.

2.8 “SAS” means statements on auditing standards.

3. GENERAL REQUIREMENTS:

3.1 Mandatory Contract Item Requirements: Contract Item must meet or exceed the mandatory requirements listed below.

3.1.1 A certified public accounting firm to provide audit of agency financial statements for fiscal year ending June 30, 2013.

3.1.1.1 The successful firm shall provide a written statement in conformity with Generally Accepted Accounting Principles, on the fair

**REQUEST FOR QUOTATION
WWV14869- Auditing Services**

presentation of the general purpose financial statements that will include all WorkForce West Virginia programs to the Director of FAM.

- 3.1.1.2** The audit for fiscal year 2013 and forward must be audited in accordance with Government Auditing Standards, issues by the Comptroller General of the United States.
- 3.1.1.3** The successful firm must provide technical assistance to WorkForce West Virginia's financial personnel for the continuation of GASB 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and the continuation of SAS 99 which revises guidance on the consideration of fraud in financial statement audits.
- 3.1.1.4** The successful firm must audit the additional financial information schedules required by the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration.
- 3.1.1.5** The successful firm shall also be responsible for performing certain limited procedures involving required supplementary information required by Governmental Accounting Standards as mandated by Generally Accepted Auditing Standards.
- 3.1.1.6** The successful firm will provide all work under the direction of the Executive Director of WorkForce West Virginia or his designee.
- 3.1.1.7** Following the completion of each audit of the fiscal's year's financial statements, the firm shall issue reports on the fair presentation of the financial statements in conformity with Generally Accepted Accounting Principles
- 3.1.1.8** The successful firm shall be required to give to the Director of the Financial Accounting and Reporting Section (FARS) of the Department of Administration, 2101 Washington Street East,

REQUEST FOR QUOTATION
WWV14869- Auditing Services

Building 17 3rd floor, Charleston, WV 25305, under the authority of Section 5-A of the State Code, a written report within twenty-four (24) hours of all irregularities and illegal acts of which the firm becomes aware.

- 3.1.1.9** Additionally, a copy of all such reports will be given to the Executive Director of WORKFORCE West Virginia and the Director of Financial Administrative & Management (FAM) in writing of each of the firm's responsibility under general accepted auditing standards, accounting policies, management judgments, accounting estimates and projections, audit adjustments and revisions of past and current estimates and projections, disagreements with management, consultation with other accountants and actuaries, major issues discussed with management prior to retention, and difficulties encountered in performing the audit.
- 3.1.1.10** The firm must immediately communicate to the Executive Director of WorkForce West Virginia and the Director of FAM any issues that arise during the course of the audit that could cause delays in the issuance of the report or have an adverse impact. A written summary of these issues must be provided within twenty-four (24) hours to the Executive Director of WorkForce the Director of FAM.
- 3.1.1.11** The successful firm shall submit all written reports initially in draft form in order that any necessary changes may be discussed and agreed upon before final acceptance.
- 3.1.1.12** Any public statements, which may be required, must be discussed with the Executive Director or designee prior to the statements being made or released.
- 3.1.1.13** The firm may be required to provide special assistance to the WorkForce West Virginia's auditors, the State's auditors, and the Financial Accounting and the Financial Accounting and Reporting Section of the West Virginia Department of Administration since

REQUEST FOR QUOTATION
WWV14869- Auditing Services

WorkForce West Virginia's financial statements are to be included in the financial statements of the State of West Virginia.

- 3.1.1.14** As defined by the fourth general standard as set forth in governmental auditing standards and promulgated by the United States Governmental Accounting Offices which states that "each audit Organization conducting audits in accordance with these standards should have an appropriate internal control system in place and undergo an external quality control review" the firm must provide an affirmative statement that it is independent of the State of West Virginia and any component units of that entity as defined by the same standards. The firm must also provide an affirmative statement that it is independent of WorkForce West Virginia and related systems
- 3.1.1.15** The firm must provide an affirmative statement that it will review the independence of all personnel within the firm assigned to this project to ensure they are independent of WorkForce West Virginia and the State of West Virginia and its component entities.
- 3.1.1.16** The firm shall give WorkForce West Virginia written notice of any professional relationships entered into during the period of the agreement with any major contractors as defined in WV State Code 29.22.23. (<http://www.legis.state.wv.us/wvcode/code.cfm>) The firm shall also notify WorkForce in writing if any other matters that come to its attention during this contract which may impair its independence/
- 3.1.1.17** The firm and all assigned professional personnel and all associated subcontracted firms must be licensed to practice accounting in West Virginia.
- 3.1.1.18** The firm and all associated and sub-contracted firms must have in place an internal quality control system to provide assurance that an adequate standard will be maintained during the contract as set forth in the governmental auditing standards and promulgated by the United State Governmental Accounting Offices.
- 3.1.1.19** Upon award the successful firm provide copies of their internal control documents as well as a copy of the most recent external

REQUEST FOR QUOTATION
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quality control review. The quality control review should have included a review of specific governmental audits. These documents must be received by the agency within forty-eight (48) hours of request.

- 3.1.1.20** The firm must identify the managing partner of the office from which the auditing services will be performed upon request within forty-eight (48) hours. The contact information for the managing partner must include the name of the managing partner, his address, his direct dial telephone number, fax number, and email address. This information intended for use in the unlikely event that WorkForce is unable to obtain satisfactory responses from the audit team and need to have direct contact with management.
- 3.1.1.21** The firm must identify the principle supervisory and management personnel who will be included in providing the auditing services under this contract including the partner, reviewing partners, managers, other supervisors and specialists. All personnel must hold a license to practice as a Certified Public Accountant in West Virginia.
- 3.1.1.22** The firm must provide for each of the aforementioned personnel a resume outlining the qualifications and experience including years of experience in the auditing field and in the governmental sectors. Resumes should be attached to the bid response. At a minimum each resume must include numbers of years of total experience, number of years in specific specialties and a description of each specialty, general certifications and qualifications obtained, listing of relevant continuing professional education courses with the last three years, and a list of those clients similar to WorkForce West Virginia for which the person has performed work within the last three (3) years.
- 3.1.1.23** All personnel assigned to this project must have a least one year of auditing experience in public accounting or a similar environment. References to support the one (1) year auditing experience must be submitted to the Director of FAM within fifteen (15) days of receipt of the approved purchase order.
- 3.1.1.24** Subcontracted and jointly associated firms can only be added, dropped, or changed with the expressed written permission of WorkForce West Virginia,

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which retains the right to approve and reject these changes. Personnel to this project by subcontracted or jointly associated firms must go through the same approval process as the primary firm's personnel; however, the primary firm will be responsible for the results and deliverables of this

3.1.1.25 All working papers and reports must be retained at the auditing firm's expense in a secure storage area for a minimum of five (5) years , unless the firm is notified by WorkForce West Virginia of the need to extend the retention period. The firm will be required to make working papers available upon request to the Executive Director of WorkForce and the Director of FAM and the Financial Accounting and Reporting Section of the West Virginia Department of Administration. In addition, the firm must respond to the inquiries of grantors and successor auditors and allow them to review working papers. The agency must be provided access keys to the storage area upon request.

3.1.1.26 The firm must deliver 50 copies of the bound final report to the Director FAM, Room 618, 112 California Avenue, Charleston, WV 25305 by October 20, 2014. An electronic copy of the report must be provided in a PDF or similar format for public review on the agency's website.

4. CONTRACT AWARD:

4.1 Contract Award: The Contract is intended to provide Agencies with a purchase price for the Contract Items. The Contract shall be awarded to the Vendor that provides the Contract Items meeting the required specifications for the lowest overall total cost as shown on the Pricing Pages.

4.2 Pricing Page: Vendor should complete the Pricing Page by providing an all-inclusive price for each deliverable reflected on the Pricing Page. Vendor should complete the Pricing Page in full as failure to complete the Pricing Page in its entirety may result in Vendor's bid being disqualified.

Vendor should type, legibly write, or electronically enter the information into the Pricing Page to prevent errors in the evaluation.

5. PAYMENT:

REQUEST FOR QUOTATION
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5.1 Payment: Vendor shall accept payment in accordance with the payment procedures of the State of West Virginia and the percentage of payment of fees for each phase reflected on the Pricing Page.

6. DELIVERY AND RETURN:

6.1 Shipment and Delivery: Vendor shall ship the Contract Items immediately after being awarded this Contract and receiving a purchase order or notice to proceed. Vendor shall deliver the Contract Items within timeframes set forth in the Delivery Schedule (Attachment 1). Contract Items must be delivered to Agency at 112 California Avenue, Charleston, WV 25305.

6.2 Late Delivery: The Agency placing the order under this Contract must be notified in writing if the shipment of the Contract Items will be delayed for any reason. Any delay in delivery that could cause harm to an Agency will be grounds for cancellation of the Contract, and/or obtaining the Contract Items from a third party.

Any Agency seeking to obtain the Contract Items from a third party under this provision must first obtain approval of the Purchasing Division.

6.3 Delivery Payment/Risk of Loss: Vendor shall deliver the Contract Items F.O.B. destination to the Agency's location.

6.4 Return of Unacceptable Items: If the Agency deems the Contract Items to be unacceptable, the Contract Items shall be returned to Vendor at Vendor's expense and with no restocking charge. Vendor shall either make arrangements for the return within five (5) days of being notified that items are unacceptable, or permit the Agency to arrange for the return and reimburse Agency for delivery expenses. If the original packaging cannot be utilized for the return, Vendor will supply the Agency with appropriate return packaging upon request. All returns of unacceptable items shall be F.O.B. the Agency's location. The returned product shall either be replaced, or the Agency shall receive a full credit or refund for the purchase price, at the Agency's discretion.

6.5 Return Due to Agency Error: Items ordered in error by the Agency will be returned for credit within 30 days of receipt, F.O.B. Vendor's location. Vendor shall not charge a restocking fee if returned products are in a resalable condition. Items shall be deemed to be in a resalable condition if they are unused and in the original packaging. Any restocking fee for items not in a resalable condition shall be the lower of the Vendor's customary restocking fee or 5% of the total invoiced value of the returned items.

STATE OF WEST VIRGINIA				
WORKFORCE WEST VIRGINIA WWV14869				
Exhibit A - Pricing Page				
DELIVERABLES		Estimated Hours	Hourly Rate	Extended Cost
PHASE I				
Entrance Conference		16	\$100	\$1,600.00
Detailed audit plan		164	\$100.00	\$16,400.00
Draft of WORKFORCE West Virginia Reports and financial statements for review		40	\$100	\$4,000.00
TOTAL PHASE I				\$22,000.00
PHASE II				
Revised draft with all requests changed and modification of WORKFORCE West Virginia reports and financial statements for review		24	\$100	\$2,400.00
Draft submitted to the Financial Accounting and Reporting Section (FARS) of the WV Department of Administration with copies to Executive Director of WORKFORCE West Virginia and Director of FAM		16	\$100	\$1,600.00
TOTAL PHASE II				\$4,000.00
PHASE III				
Unsigned final draft with all modifications to WORKFORCE West Virginia management for final review		24	\$100	\$2,400.00
Final signed report submitted to WORKFORCE West Virginia and FARS		16	\$100	\$1,600.00
TOTAL PHASE III				\$4,000.00
Phase Total = PHASE I + PHASE II + PHASE III				\$
Hourly Services	Rate per hour for accounting, auditing, and consulting services	10	\$100.00	\$1,000.00
Hourly Services Total				\$1,000.00
Grand Total (Total Hourly Services + Total Phase)				\$
HOURS SHOWN ARE AN ESTIMATION AND IS FOR AWARD PURPOSES ONLY.		310	\$100	\$31,000.00
AWARD WILL BE BASED ON GRAND TOTAL, HOWEVER THE COST OF THE HOURS WILL BE ACTUAL PAYMENT AND THOSE HOURS ARE NOT GUARANTEED.				
Vendor may request payment pursuant to the following schedule:				
*First payment shall be 25% of the grand total and can be submitted upon completion of Phase I identified in the above table.				
*Second payment shall be 25% of the grand total and can be submitted upon completion of Phase II identified in the above table.				
*Third payment shall be 50% of the grand total and can be submitted upon completion of Phase III identified in the table.				
WORKFORCE West Virginia requires that the accounting firm be available to assist with accounting issues and new reporting requirements as they arise on an as-needed basis. The bid must include a firm fixed fee for the services shown above as well as an hourly rate for accounting and auditing consulting services. The total cost submitted for bid must include all travel and out-of-the-pocket expenses.				

* To be used only if needed & requested.

STATE OF WEST VIRGINIA
 WORKFORCE WEST VIRGINIA WWV14869
 Exhibit B

DELIVERY SCHEDULE

DELIVERABLES	
Entrance Conference	BEFORE JULY 31, 2014
Detailed audit plan	AUGUST 13, 2014
Draft of WORKFORCE West Virginia Reports and financial statements for review	AUGUST 20, 2014
Revised draft with all requests changed and modification of WORKFORCE West Virginia reports and financial statements for review	AUGUST 27, 2014
Draft submitted to the Financial Accounting and Reporting Section (FARS) of the WV Department of Administration with copies to Executive Director of WORKFORCE West Virginia and Director of FAM	SEPTEMBER 3, 2014
Unsigned final draft with all modifications to WORKFORCE West Virginia management for final review	OCTOBER 14, 2014
Final signed report submitted to WORKFORCE West Virginia and FARS	OCTOBER 22, 2014

State of West Virginia

VENDOR PREFERENCE CERTIFICATE

Certification and application* is hereby made for Preference in accordance with **West Virginia Code**, §5A-3-37. (Does not apply to construction contracts). **West Virginia Code**, §5A-3-37, provides an opportunity for qualifying vendors to request (at the time of bid) preference for their residency status. Such preference is an evaluation method only and will be applied only to the cost bid in accordance with the **West Virginia Code**. This certificate for application is to be used to request such preference. The Purchasing Division will make the determination of the Vendor Preference, if applicable.

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

- ☐ Bidder is an individual resident vendor and has resided continuously in West Virginia for four (4) years immediately preceding the date of this certification; **or**,
- ☐ Bidder is a partnership, association or corporation resident vendor and has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or 80% of the ownership interest of Bidder is held by another individual, partnership, association or corporation resident vendor who has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; **or**,
- ☐ Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification; **or**,

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

- ☐ Bidder is a resident vendor who certifies that, during the life of the contract, on average at least 75% of the employees working on the project being bid are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; **or**,

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

- ☐ Bidder is a nonresident vendor employing a minimum of one hundred state residents or is a nonresident vendor with an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virginia employing a minimum of one hundred state residents who certifies that, during the life of the contract, on average at least 75% of the employees or Bidder's affiliate's or subsidiary's employees are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; **or**,

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

- ☐ Bidder meets either the requirement of both subdivisions (1) and (2) or subdivision (1) and (3) as stated above; **or**,

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

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

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

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

7. Application is made for preference as a non-resident small, women- and minority-owned business, in accordance with West Virginia Code §5A-3-59 and West Virginia Code of State Rules.

- ☒ Bidder has been or expects to be approved prior to contract award by the Purchasing Division as a certified small, women- and minority-owned business.

Bidder understands if the Secretary of Revenue determines that a Bidder receiving preference has failed to continue to meet the requirements for such preference, the Secretary may order the Director of Purchasing to: (a) reject the bid; or (b) assess a penalty against such Bidder in an amount not to exceed 5% of the bid amount and that such penalty will be paid to the contracting agency or deducted from any unpaid balance on the contract or purchase order.

By submission of this certificate, Bidder agrees to disclose any reasonably requested information to the Purchasing Division and authorizes the Department of Revenue to disclose to the Director of Purchasing appropriate information verifying that Bidder has paid the required business taxes, provided that such information does not contain the amounts of taxes paid nor any other information deemed by the Tax Commissioner to be confidential.

Under penalty of law for false swearing (West Virginia Code, §61-5-3), Bidder hereby certifies that this certificate is true and accurate in all respects; and that if a contract is issued to Bidder and if anything contained within this certificate changes during the term of the contract, Bidder will notify the Purchasing Division in writing immediately.

Bidder: Bolesman, Hair & Schum, LPs, Inc. Signed: Thelma G. Schum

Date: 7-2-14 Title: VP - Director

RFQ No. WWW14869STATE 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: Bakota, Horv & Scherer, CPAs, Inc.Authorized Signature: Michael C. Bakota Date: 7-2-14State of DwpCounty of Fike, to-wit:Taken, subscribed, and sworn to before me this 2 day of July, 2014.My Commission expires 12-24, 2014.

AFFIX SEAL HERE

NOTARY PUBLIC



Purchasing Affidavit (Revised 07/01/2012)

CERTIFICATION AND SIGNATURE PAGE

By signing below, I certify that I have reviewed this Solicitation in its entirety; understand the requirements, terms and conditions, and other information contained herein; that I am submitting this bid or 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.

Bakstra, Hove & Schuur, CPAs, Inc.
(Company)

Michael A. Bakstra
(Authorized Signature)

Michael A. Bakstra, VP-Director
(Representative Name, Title)

740-289-4131 740-289-3639
(Phone Number) (Fax Number)

7-2-14
(Date)

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.:

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 type="checkbox"/> Addendum No. 2	<input type="checkbox"/> Addendum No. 7
<input type="checkbox"/> Addendum No. 3	<input type="checkbox"/> Addendum No. 8
<input 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.

Bakema, Har, & Schen, CPA, Inc.
 Company
Michael A. Bakema
 Authorized Signature
7-2-14
 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
WWV14869

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
BETH COLLINS 304-558-2157

V E N D O R	*A21093049	740-289-4131
	BALESTRA HARR & SCHERER CPAS I	
	PO BOX 687	
	528 SOUTH WEST ST	
	PIKETON OH 45661	

S H I P T O	WORKFORCE WEST VIRGINIA
	OFFICE OF ADMIN. SUPPORT-5302
	112 CALIFORNIA AVENUE
	CHARLESTON, WV
	25305-0112 304-558-2631

DATE PRINTED
06/26/2014

BID OPENING DATE: 07/10/2014

BID OPENING TIME 1:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
ADDENDUM NO.01						
THIS ADDENDUM IS ISSUED TO MODIFY THE ORIGINAL SOLICITATION PER THE ATTACHED DOCUMENTATION.						
0001	1	LS		946-20		<u>\$30,000.00</u>
AUDITING SERVICES						
***** THIS IS THE END OF RFQ WWV14869 ***** TOTAL:						<u>\$30,000.00</u>

SIGNATURE	<i>Mildred Dabate</i>	TELEPHONE	740-289-4131	DATE	7-2-14
TITLE	VP-DIRECTOR	FEIN	31-1413363	ADDRESS CHANGES TO BE NOTED ABOVE	

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

SOLICITATION NUMBER: WWV14869
Addendum Number: 01

The purpose of this addendum is to modify the solicitation identified as ("Solicitation") to reflect the change(s) identified and described below.

Applicable Addendum Category:

- ☐ Modify bid opening date and time
- ☐ Modify specifications of product or service being sought
- ☒ Attachment of vendor questions and responses
- ☐ Attachment of pre-bid sign-in sheet
- ☒ Correction of error
- ☐ Other

Description of Modification to Solicitation:

This addendum is issued to provide answers to vendor submitted questions.

This addendum is issued to provide exhibits and attachments to clarify and provide further information of vendor submitted questions.

This addendum is to also correct an error of the year should not be 2013 and should be 2014 as per attachments of this addendum.

The bid date will remain the same of July 10, 2014 at 1:30 PM, EST.

Additional Documentation: Documentation related to this Addendum (if any) has been included herewith as Attachment A and is specifically incorporated herein by reference.

Terms and Conditions:

1. All provisions of the Solicitation and other addenda not modified herein shall remain in full force and effect.
2. Vendor should acknowledge receipt of all addenda issued for this Solicitation by completing an Addendum Acknowledgment, a copy of which is included herewith. Failure to acknowledge addenda may result in bid disqualification. The addendum acknowledgement should be submitted with the bid to expedite document processing.

ATTACHMENT A

WWV 14869**Addendum I - Vendor Questions and Answers**

Q. 1 Page 18, Specifications 1. Purpose and scope: indicates that: The West Virginia Purchasing Division is soliciting bids on behalf of WorkForce West Virginia to establish a contract with a certified public account firm to audit agency financial statement to the fiscal year ending June 30, 2013. Should this instance and all others in the RFQ indicate for the year ending June 30, 2014?

A 1. In this instance and all others in the RFQ the year ending date should be June 30, 2014.

Q 2. Please provide a summary of the hours billed and the total amount paid for the same scope of services in the prior year.

A 2 A total of four hundred (400) hours were submitted as an estimate for award purposes only, actual award was not based on hourly rate but overall lowest bid meeting all mandatory requirements. These estimated hours included classifications of: Engagement Partner, Audit Manager, Audit Supervisor, Staff Auditor, IT Auditor, other support/clerical.

Invoicing was not submitted for hours worked but rather on the completion of each phase as described in the deliverables schedule as well as pricing sheet.

Q 3. May we have a copy of the prior year audited financial statements?

A 3. Please see the attached Exhibit C.

Q 4. Please explicitly define, what is meant by this being an open ended contract and how this relates to a contract to provide audit services? Upon review of the Request for Quotation (RFQ) it does not appear to be open ended.

A 4. As shown in item 5 on page 6 of the **INSTRUCTIONS TO VENDORS SUBMITTING BID** a RFQ is considered an open end contract “when quantities listed in the solicitation are approximations only, based on estimates supplied by the Agency. It is understood and agreed that the Contract shall cover quantities actually ordered for delivery during the term of the Contract, whether more or less than the quantities shown”. In this case the request for estimated hours would fall under the open end definition.

Q 5. On page 18, under the “specifications” heading, it states that “the audit include all WorkForce West Virginia Programs, could you please define what is meant by programs? Does this include regional investment board’s?

A 5. The audit will not include regional investment boards, for programs that will be included in the financial services being procured will include those shown on the attached Exhibit D.

Q 6. Does the WorkForce West Virginia require an OMB Xircular A-133 audit?

A 6. Yes

Q 7. What date will the WorkForce West Virginia be ready for the successful auditor to begin fieldwork?

A 7. August 20, 2014

Q 8. It is referenced numerous times that this is an audit for year ending June 20, 103, is this correct?

A 8. No, the audit will be for year ending June 30, 2014.

Q 9.When in the last time an RFQ for WorkForce WV was issued?

A 9. The last RFQ for financial services was awarded in 2010 and included two one year renewals. The last allowed renewal expired December 14, 2013.

Q 10. According to Schedule B, Delivery Schedule” the final signed version of the reports are not to be submitted to FARS until October 22, 2014. This appears to be after the historical FARS Final Deadline of on or around October 15th. It was also noted that the unsigned draft is to be submitted to FARS on September 3rd, which is also outside of the historical FARS draft deadline of on or around September 15.

A 10. See the attached amended Exhibit B.

Q 11. Would you please provide the total hours incurred and fee charged by the prior year auditor.

A 11. Please see response to Q 2 concerning total hours incurred. In reference to prior year audit charges a FOIA request may be submitted to Diane Holly at Diane.M.Holly@wv.gov for WWV 11869.

Q 12. Item 1 under the specifications section on age 18 of the RFQ as well as Item 2.1 and 3.1 on page 19 refer to the audit of agency financial statements for the year ending June 30, 2013. Is 2013 to be re-audited or does the RFQ require the audit of financial statements for the year ending June 30, 2014 with the option of two renewals?

A 12. No, year ending 2013 is not to be re-audited. The audit being requested is for year ending June 20, 2014.

Q 13. The State of WV early implemented GASB 65 for the year ended June 30, 2013. However, the financial statement notes for the year ended June 30, 2013 state that WorkForce WV has not evaluated the impact of GASB 65. Will WorkForce WV implement GASB65 for the year ended June 30, 2014? Or does GASB 65 have no effect on WorkForce WV?

A 13. GASB 65 has already been implemented.

Q 14. Item 3.1.1.21 requires identification of supervisory and management personnel and states that all personnel must hold a license to practice as a Certified Public Accountant in West Virginia. Is this requirement intended to apply to all personnel assigned to the engagement or does it apply only to management and supervisory personnel assigned to the engagement?

A 14. This requirement is as stated for supervisory and management personnel only.

Q 15. The state of WV is implementing a new EFP software effective July 2014 referred to as OASIS. Will WorkForce be transitioning to this new system for financial reporting purposes? If yes, please provide information on the activities expected to be affected by the implementation of the new software and any potential issues that may arise from the conversion.

A 15. While WorkForce West Virginia is transitioning to the OASIS System, it will not have an impact on this audit. All financial statements required for this audit will remain available in our current FIMs system.

Q 16. We are interested in bidding on Workforce WV's annual financial statement audit. In order to accurately prepare our proposal and provide our best price we would like to see a copy of the 2013 audited financial statements. Could you please send me a copy of those statements?

A 16. Please see attached Exhibit C.

**STATE OF WEST VIRGINIA
WORKFORCE WEST VIRGINIA WWV14869
EXHIBIT B**

DELIVERY SCHEDULE

DELIVERABLES	
Entrance Conference	Before July 31, 2014
Detailed audit plan	August 14, 2014
Field work to begin	August 20, 2014
Draft of WORKFORCE West Virginia Reports and financial statements for review	August 27, 2014
Revised draft with all requested changes and modifications of WorkForce West Virginia reports and financial statements for review	September 4, 2014
Draft submitted to the Financial Accounting and Reporting Section (FARS) of the WV Department of Administration with copies to Executive Director of WORKFORCE West Virginia and Director of FAM	September 15, 2014
Unsigned final draft with all modifications to WORKFORCE West Virginia management for final review	October 14, 2014
Final signed report submitted to WORKFORCE West Virginia and FARS	October 20, 2014

WORKFORCE WEST VIRGINIA
(A Division of the State of West Virginia)
Management's Discussion and Analysis (MD & A),
Basic Financial Statements,
Required Supplementary Information, and
Other Financial Information

June 30, 2013

(With Independent Auditors' Report Thereon)

WORKFORCE WEST VIRGINIA

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**WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)**

The management of WORKFORCE West Virginia (Division), a Division of the West Virginia Department of Commerce, State of West Virginia, provides this *Management's Discussion and Analysis* of the Division's financial standing for the readers of the audited financial statements. As of June 30, 2013, WORKFORCE West Virginia consisted of four primary operating Divisions: the One Stop Operations Division (OS); the WIA Dislocated Worker and Employment Services Division (DWES); the Unemployment Compensation Division (UC); and the Research Information and Analysis Division (RIA).

This narrative overview and analysis of the financial activities for the Division is for the fiscal year ended on June 30, 2013. Please read it in conjunction with the Division's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Division Wide Highlights:

The assets of the Division exceeded the liabilities for the fiscal year ended June 30, 2013 by \$139 million as compared to \$159 million for the fiscal year ended June 30, 2012.

Fund Level Highlights:

At the close of the fiscal year, the governmental activities of the Division reported a net fund balance deficit of \$6.4 million as compared to \$7.9 million for the fiscal year ended June 30, 2012. The decrease in this deficit is mainly due to the cumulative effect adjustment of implementation of Governmental Accounting Standards Board (GASB) Statement No. 45.

The business-type activities reported a net position of \$145 million for the Unemployment Compensation Trust Fund at June 30, 2013 as compared to \$167 million at June 30, 2012. The decrease in net position is mainly due to reduced Unemployment Compensation benefits for fiscal year ended June 30, 2013.

More detailed information regarding these funds and their activities is contained in Footnote 1 to the audited financial statements, which follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, and *other financial information*. The basic financial statements include two kinds of statements that present different views of the Division.

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Division's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the Division's government, reporting the Division's operations in *more* detail than the government-wide statements.
 - The *government fund* statements tell how *general government* services like education were financed in the *short term* as well as what remains for future spending. For the Division, this consists primarily of federally funded workforce development programs.
 - *Proprietary fund* statements offer short and long-term financial information about the activities the government operates like businesses. For the Division, this consists of the Unemployment Compensation Trust Program.

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

- *Fiduciary fund* statements provide information about the financial relationships - like the retirement plan for the Division's employees - in which the State acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong. The Division has no fiduciary funds.

-
- The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Division as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the reporting entity's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Division's *net position* and how they have changed. *Net position* - the difference between the Division's assets and liabilities - are one way to measure the Division's financial health or *position*.

- Overtime, increases or decreases in the Division's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Division, one needs to consider additional non-financial factors such as changes in the Division's revenue sources and the condition of the Division's assets.

The government-wide financial statements of the State are divided into three categories:

- *Governmental activities* - These are the activities that are necessary for the government to function and meet its intended purpose. They are generally funded through a tax. For the Division, this consists primarily of federally funded workforce development programs.
- *Business-type activities* - The Division charges fees to customers to help it cover the costs of certain services it provides. For the Division, this consists of the Unemployment Compensation Trust Program.
- *Component Units* - The State includes other entities in its report such as West Virginia Housing Development, Parkways, Economic Development and Tourism Authority and Higher Education. These "component units" are important because the State is financially accountable for them. The Division has no component units. However, the Division exists within the State of West Virginia, and is considered part of the primary government in the State of West Virginia Comprehensive Annual Financial Report.

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Division's most significant *funds* - not the Division as a whole. Funds are accounting devices that the governmental agencies use to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The State Legislature establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Division has two kinds of funds:

- *Governmental funds* - Most of the Division's basic services are included in the governmental general fund, which focuses on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Division's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them. For the Division, this fund consists primarily of federally funded workforce development programs.
- *Proprietary funds* - Services for which the Division charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. For the Division, this consists of the Unemployment Compensation Trust Fund.

**WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)**

FINANCIAL ANALYSIS OF THE DIVISION AS A WHOLE

Net Position

\$

The Division's *combined* net position (governmental and business-type) totaled \$139 million at the end of 2013, compared to \$159 million at the end of the previous year. (See table below).

**Statements of Net Position
(Expressed In Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government		% of Change
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012-2013</u>
Current and other assets	\$ 1,526	\$ 1,840	\$ 202,661	\$ 182,342	\$ 204,187	\$ 184,182	(9.80%)
Capital assets	1,261	1,133	-	-	1,261	1,133	(10.15%)
Total assets	<u>2,787</u>	<u>2,973</u>	<u>202,661</u>	<u>182,342</u>	<u>205,448</u>	<u>185,315</u>	(9.80%)
Long-term debt outstanding	370	371	-	-	370	371	0.27%
Other liabilities	10,320	9,043	36,014	37,338	46,334	46,381	0.10%
Total liabilities	<u>10,690</u>	<u>9,414</u>	<u>36,014</u>	<u>37,338</u>	<u>46,704</u>	<u>46,752</u>	0.10%
Net Position (Deficit):							
Net investment in capital assets	1,261	1,133	-	-	1,261	1,133	(10.15%)
Restricted	161	69	166,647	145,004	166,808	145,073	(13.03%)
Unrestricted (deficit)	(9,324)	(7,643)	-	-	(9,324)	(7,643)	18.03%
Total net position (deficit)	<u>(\$7,902)</u>	<u>\$ (6,441)</u>	<u>\$ 166,647</u>	<u>\$ 145,004</u>	<u>\$ 158,745</u>	<u>\$ 138,563</u>	(12.71%)

The total net position deficit of the Division's governmental activities decreased 18.49% to \$6.4 million. This is primarily due to the cumulative effect of implementation of GASB Statement No. 45, and a liability with the USDOL due to cash on hand.

The total net position of the Division's business-type activities decreased 12.99% to \$145 million. This is primarily due to the decreased cost of unemployment payments.

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

Changes in net position

The Division's total revenues decreased by 9.93% to \$410 million (See table below). 12.38% of the Division's revenues come from federal grant programs aimed at workforce analysis and development. Other revenue comes from fees charged for services to employers by the Unemployment Compensation programs and investment earnings.

The total cost of all programs and services was \$431 million. The Division's expenses can be categorized into two categories: general governmental and direct benefits. General government expenses include all costs associated with operation of the Division and its programs, which includes administration and federal grant expenses incurred for employment training, statistics and support. Direct benefits consist of unemployment insurance benefits and comprised 88% of the total expenses of the Division for the fiscal year ended June 30, 2013.

	Change in Net Position (Deficit) (Expressed in Thousands)						% of Change Primary Government
	Governmental Activities		Business-type Activities		Total Primary Government		
	2012	2013	2012	2013	2012	2013	2012-2013
Revenues							
Program revenues:							
Charges for services	\$ -	\$ -	\$ 400,238	\$ 356,531	\$ 400,238	\$ 356,531	(10.92%)
Federal grants	52,140	50,821	-	-	52,140	50,821	(2.53%)
General revenues:							
Investment earnings	-	-	3,265	3,025	3,265	3,025	(7.35%)
Total revenues	52,140	50,821	403,503	359,556	455,643	410,377	(9.93%)
Expenses							
Program expenses:							
General government	54,917	50,319	-	-	54,917	50,319	(8.37%)
Unemployment Compensation Trust	-	-	365,325	380,240	365,325	380,240	4.08%
Total expenses	54,917	50,319	365,325	380,240	420,242	430,559	2.46%
Increase (decrease) in net position before transfers	(2,777)	502	38,178	(20,684)	35,401	(20,182)	(157.01%)
Transfers and other revenues	2,245	959	(2,245)	(959)	-	-	0.00%
Increase (decrease) in net Position	(532)	1,461	35,933	(21,643)	35,401	(20,182)	(157.01%)
Beginning net Position (deficit)	(7,370)	(7,902)	130,714	166,647	123,344	158,745	28.70%
Ending net Position (deficit)	\$ (7,902)	\$ (6,441)	\$ 166,647	\$ 145,004	\$ 158,745	\$ 138,563	(12.71%)

**WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)**

Business-type Activities

For the Unemployment Compensation Trust Program, the Regular Unemployment Benefits expenditures increased \$15 million as compared with last year. As for revenue, the Regular Unemployment revenue categories decreased by \$44 million.

FINANCIAL ANALYSIS OF THE DIVISION'S FUNDS

Governmental Funds

The focus of the Division's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Division's financing requirements.

The general fund is the chief operating fund of the Division's federal program activities. At the end of the current fiscal year, the Division's governmental fund reported an ending fund balance of (\$6.4) million, a decreased deficit of \$1.5 million from prior year.

Proprietary Funds

The Unemployment Compensation (UC) Program has a total of 82 measurements. West Virginia met the eighteen Federal standards for measurement year ending March, 2013. In addition, the State of West Virginia's Unemployment Compensation Program was designated as one of only nine states that achieved a perfect score from the Department of Labor on the State Performance UI Core Measurements Score Card. These performance measurements cover timeliness, quality, and accuracy of each state's Benefit and Tax operations.

West Virginia's operational proper payment rate for unemployment benefits was 95.21% during Calendar Year 2012 which is substantially above the National Average Rate of 87.67%.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget of the Division was not amended during the year ending June 30, 2013 except for a slight change in revenues. The most significant budget versus actual variances include:

- Expenditure schedules are budgeted at an increased amount for a number of reasons including:
 - Some of the grants received by the Division are adjusted based upon workloads. As the economy worsens, workloads increase and additional funds are received; therefore, additional amounts are budgeted in case additional grant funds are received.
 - Additional funds are budgeted in case grants are received in the event of natural disasters.
 - The Division operates the Trade Readjustment Assistance Program (TRA) which provides retraining services to workers who find themselves unemployed due to competition from foreign trade. In addition to the annual grant received from the United States Department of Labor to fund this program, the Division may receive additional grants to serve special groups laid off by large employers. These National Emergency grants have amounted to as much as \$23 million in past years. The Division budgets additional funds each year in case these major layoffs occur and National Emergency grants are received.
 - As disclosed above, some additional amounts, such as personal services, are budgeted in case grant funds are received for natural disasters and/or the economy worsens which results in an increase in the Division's workload.

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the Division had invested \$1,133 in capital assets that consist entirely of office furniture and equipment. (See table below). This amount represents a net decrease of \$128 or 10.2% from last year.

Capital Assets (Equipment) at Year-end
(Expressed in Thousands)
(Net of Depreciation)

	Governmental Activities		Total Percentage Change
	2012	2013	2012-2013
Governmental Activities	\$ 1,261	\$ 1,133	10.2%

The 10.2% decrease in capital assets from 2012 to 2013 is due to the retirement of modular unit assets. More detailed information is presented in Note 1 to the financial statements.

Long-term Debt

At year end, the Division had \$371 in the long-term portion of compensated absences, an increase of 0.2% as shown in the table below. More detailed information is presented in Notes 1 and 4 to the financial statements.

Outstanding Long-Term Debt at Year-end
(Expressed in Thousands)

	Governmental Activities		Total Percentage Change
	2012	2013	2012-2013
Compensated absences	\$ 370	\$ 371	0.2%

**WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)**

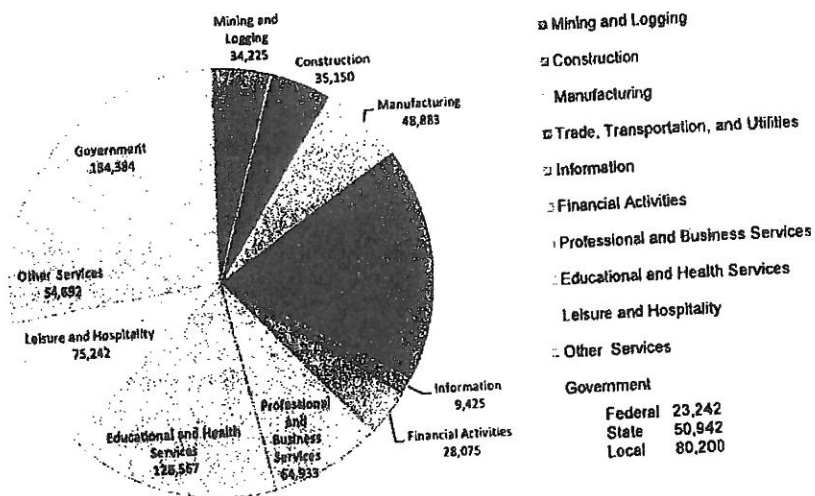
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

These indicators were taken into account when adopting the Division's budget for 2013.

<u>Industry</u>	<u># of Jobs</u>
Mining and Logging	34,225
Construction	35,150
Manufacturing	48,883
Trade, Transportation, and Utilities	135,700
Information	9,425
Financial Activities	28,075
Professional and Business Services	64,933
Educational and Health Services	126,567
Leisure and Hospitality	75,242
Other Services	54,692
Government	154,384
Total Employment	767,276

The following chart shown includes projected information for fiscal year 2013.

Employment by Major Industry



CONTACTING THE DIVISION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Division's finances and to demonstrate the Division's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact WORKFORCE West Virginia, 112 California Avenue, Charleston, WV 25305.

BASIC FINANCIAL STATEMENTS

WORKFORCE WEST VIRGINIA
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2013
(In Thousands)

	Primary Government		
	Governmental	Business - type	Total
	Activities	Activities	
	General Fund	Unemployment Compensation Trust	
Assets			
Current assets:	\$ 1,624	\$ 119,515	\$ 121,139
Cash and cash equivalents			
Receivables, net:		59,780	59,780
Unemployment taxes (Note 1f)	136	-	136
Other	-	2,348	2,348
Due from other governments	39	699	738
Due from other funds - primary government	41	-	41
Inventories	1,840	182,342	184,182
Total current assets	1,133	-	1,133
Noncurrent assets:	1,133	-	1,133
Capital assets, net	1,133	-	1,133
Total noncurrent assets	2,973	182,342	185,315
Total assets			
Liabilities			
Current liabilities:	204	-	204
Accounts payable	6,588	-	6,588
WV Retiree Health Benefit Trust (RHBT) payable (OPEB)	787	1,937	2,724
Accrued expenses and other liabilities	622	4,522	5,144
Due to other governments	-	30,879	30,879
Unemployment Compensation benefits payable	842	-	842
Compensated absences due within one year	9,043	37,338	46,381
Total current liabilities	371	-	371
Noncurrent liabilities:	371	-	371
Compensated absences due in more than one year	371	-	371
Total noncurrent liabilities	9,414	37,338	46,752
Total liabilities			
Net position (deficit)			
Net position (deficit):	1,133	-	1,133
Net Investment in capital assets			
Restricted for:	69	145,004	145,073
Restricted	(7,643)	-	(7,643)
Unrestricted (deficit)	\$ (6,441)	\$ 145,004	\$ 138,563
Total net position (deficit)			

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(In Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 50,152	\$ -	\$ 50,821	\$ 669	\$ -	\$ 669
Unallocated depreciation	167	-	-	(167)	-	(167)
Total governmental activities	50,319	-	50,821	502	-	502
Business-type activities:						
Unemployment Compensation Trust	380,240	-	356,531	-	(23,709)	(23,709)
Total business-type activities	380,240	-	356,531	-	(23,709)	(23,709)
Total primary government	\$ 430,559	\$ -	\$ 407,352	\$ 502	(23,709)	(23,207)
General Revenues:						
Investment earnings				-	3,025	3,025
Fund balance transfers				959	(959)	-
Change in net position (deficit)				1,461	(21,643)	(20,182)
Net position (deficit) - beginning				(7,902)	166,647	158,745
Net position (deficit) - ending				\$ (6,441)	\$ 145,004	\$ 138,563

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013
(In Thousands)

	Governmental Activities
	General Fund
Assets:	
Cash and cash equivalents	\$ 1,624
Due from other funds - primary government	39
Accounts Receivable - other	136
Inventories	41
Total assets	<u>\$ 1,840</u>
Liabilities and Fund Balance (Deficiency):	
Liabilities:	\$ 204
Accounts payable	6,588
RHBT Payable (OPEB)	622
Due to other government	1,629
Accrued expenditures and other liabilities	<u>9,043</u>
Total liabilities	
Fund balance (Deficiency):	41
Non-spendable for inventories	28
Assigned	<u>(7,272)</u>
Unassigned deficiency	<u>(7,203)</u>
Total fund balance (deficiency)	<u>\$ 1,840</u>
Total liabilities and fund balance (deficiency)	
	\$ (7,203)
Total fund balance (deficiency)	
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,133
Long term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	<u>(371)</u>
Net position (deficit) of governmental activities	<u>\$ (6,441)</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIENCY)
 GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2013
 (In Thousands)

	<u>Governmental</u> <u>Activities</u> <u>General Fund</u>
Revenues:	
Grants	\$ 50,821
	<u>50,821</u>
Expenditures:	
Employment training, statistics, and support	<u>50,190</u>
Excess (deficiency) of revenues over expenditures	631
Other financing sources and uses, including transfers	
Transfer in from the Unemployment Compensation Trust Fund	<u>959</u>
Net change in fund balance	1,590
Fund balance (deficiency) - beginning	<u>(8,793)</u>
Fund balance (deficiency) - ending	<u>\$ (7,203)</u>
Net change in fund balance (deficiency) – total governmental funds	\$ 1,590
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.	(130)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which expenditures exceeded expense for long term compensated absences.	<u>1</u>
Change in Net Position of Governmental Activities	<u>\$ 1,461</u>

The Accompanying Notes Are An Integral
 Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Fund Unemployment Compensation Trust
Assets:	
Current assets:	\$ 119,515
Cash and cash equivalents	
Receivables, net:	59,780
Unemployment Compensation premiums	2,348
Due from other governments	699
Due from other funds - primary government	182,342
Total current assets	\$ 182,342
Total assets	
Liabilities and Fund Balance:	
Current liabilities:	\$ 1,937
Accrued expenses and other liabilities	4,522
Due to other governments	30,879
Unemployment Compensation benefits payable	37,338
Total current liabilities	37,338
Total liabilities	
Net Position:	
Restricted for:	145,004
Benefit payments	145,004
Total Net Position	\$ 182,342
Total liabilities and Net Position	

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2013
 (In Thousands)

	Business-type Activities - Enterprise Fund Unemployment Compensation Trust
Operating revenues:	
Unemployment Compensation premiums	\$ 356,531
Total operating revenues	<u>356,531</u>
Operating expenses:	
Unemployment insurance benefits	<u>380,240</u>
Total operating expenses	<u>380,240</u>
Operating income (loss)	<u>(23,709)</u>
Nonoperating revenues:	
Investment earnings	<u>3,025</u>
Total nonoperating revenues (expenses)	<u>3,025</u>
Income (loss) before transfers	(20,684)
Transfer out to general fund	<u>(959)</u>
Decrease in net position	(21,643)
Total net position - beginning	<u>166,647</u>
Total net position - ending	<u>\$ 145,004</u>

WORKFORCE WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013
(In Thousands)

	Business-type Activities - Enterprise Fund Unemployment Compensation Trust
Cash flows from operating activities:	
Received from employers	\$ 135,273
Received from federal and local agencies	219,515
Payments to claimants and providers	(378,015)
Net cash provided (used) by operating activities	<u>(23,227)</u>
Cash flows from non-capital financing activities:	
Transfers to other funds	(959)
Net cash provided (used) by non-capital financing activities	<u>(959)</u>
Cash flows from investing activities:	
Investment earnings	3,025
Net cash provided (used) by investing activities	<u>3,025</u>
Net increase (decrease) in cash and cash equivalents	(21,161)
Cash and cash equivalents - beginning	<u>140,676</u>
Cash and cash equivalents - ending	<u>\$ 119,515</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (23,709)
Net change in assets and liabilities:	
Unemployment compensation premiums receivable	(519)
Due from other governments	(167)
Due from other funds - primary government	(156)
Accrued expenses and other liabilities	131
Due to other governments	(36)
Unemployment Compensation benefits payable	1,229
Net cash provided (used) by operating activities	<u>\$ (23,227)</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

WORKFORCE West Virginia (Division) is a Division of the West Virginia Department of Commerce and as of June 30, 2013, consisted of four primary operating Divisions: the One Stop Operations Division (OS); the WIA Dislocated Worker and Employment Services Division (ES); the Unemployment Compensation Division (UC); and the Research, Information and Analysis Division (RIA).

The financial statements of the Division are intended to present the financial position, and the results of operations of only that portion of the West Virginia Department of Commerce and of the State of West Virginia that is attributable to the transactions of WORKFORCE West Virginia. They do not purport to, and do not, present fairly the financial position of the West Virginia Department of Commerce or the State of West Virginia as of June 30, 2013 and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. The Division is reported as part of the primary government in the State of West Virginia Comprehensive Annual Financial Report.

The General Fund of the Division includes funds received from the United States Department of Labor (USDOL) for Employment Services, Unemployment Compensation and Labor Statistics. These funds allow for operating local offices throughout the State of West Virginia to serve those seeking and providing employment. Most local offices were historically identified as "Job Service," and conduct employment outreach, interviewing, testing, counseling and referral to placement, training and other services designed to ready individuals for employment.

The UC provides temporary income as partial compensation to unemployed workers. The Division has direct responsibility for operation of this program. This program is administered under the oversight of USDOL, which establishes guidelines and funds administrative costs from monies collected under provisions of the Federal Unemployment Tax Act. Both ES and UC are federal mandated partners in the one stop delivery system.

(b) Basis of Presentation

The accompanying financial statements of the Division have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - The government-wide financial statements (the statement of net position and the statement of activities) report information of all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, the effect of inter-fund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable. The Division has no component units or fiduciary activities.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

When both restricted and unrestricted resources are available for use, generally it is the Division's policy to use restricted resources first, then unrestricted resources, as they are needed. Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units, if applicable. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

FUND FINANCIAL STATEMENTS - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Significant revenues subject to accrual include business unemployment taxes, federal grants, federal reimbursements, and other reimbursements for use of materials and services.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The following summarizes the major governmental funds that are presented in the accompanying financial statements:

- **General Fund** - The General Fund is the general operating fund of the Division. It is used to account for all financial resources obtained and spent for those services normally provided by the Division that are not accounted for in other funds, including the administrative services related to the Unemployment Compensation System (see below), and the operation of various federal programs funded by USDOL.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies (Continued)

- Enterprise Funds - Enterprise funds are used to account for the operations of state agencies providing goods or services to the general public on a user-charge basis, and for any activity whose principal revenue sources meet any of the following criteria: debt backed solely by fees and charges; legal requirement to recover cost; and policy decision to recover cost. Based upon these criteria state unemployment compensation funds should be reported in enterprise funds.

The Division reports the following enterprise fund: The UC Trust Fund is used to account for the operations of the UC Division, which is responsible for providing temporary income as partial compensation to unemployed workers.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include business unemployment taxes, federal grants, federal reimbursements, and other reimbursements for use of materials and services. Revenues from federal grants are recognized when the related expenditures have been incurred. Expenditures under the modified accrual basis of accounting are recognized when the related fund liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

In accordance with OMB Circular A-87, all allowable indirect costs related to USDOL for the Division are allocated to federal grants in compliance with the applicable federal cost principles. The basis for this allocation is the percentage of salary dollars paid by each federal grant in comparison to the total salary dollars paid by all of the Division's federal grants.

(c) Budgetary Data

All financial operations of the Division, except for benefits and direct claims costs of the UC Division are subject to a non-appropriated budget review and approval process in which the Division submits a financial plan for approval in a manner authorized by statute. Pursuant to West Virginia Code §5A-2-12, the Division submits a detailed budgetary schedule of general administrative expenses to the Secretary of the Department of Administration prior to the beginning of each fiscal year. The budgetary schedule is prepared on the cash basis. The cash basis is modified at year-end to allow for payment of invoices up to 31 days after year-end for goods or services received prior to year-end. Appropriated budgeted expenditures, which lapse 31 days after the end of the fiscal year, are incorporated into the Division's overall financial plan, which includes revenue estimates developed by the Division and the State's executive branch. Expenditures are budgeted using natural categories of activity including specific categories as well as for special items. Any revisions that alter budgeted expenditures for the expenditure categories for each Division as a whole must be approved by the State Legislature. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund along with the reconciliation of budgetary information to GAAP is included in the Required Supplementary Information.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

(d) **Cash and Cash Equivalents**

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit with outside financial institutions or amounts on deposit in the State Treasurer's Office (STO) or State Auditor's Office. Balances are recorded at fair value or amortized cost which approximates fair value. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

In addition, the Division's UC Trust Fund maintains a deposit account in the Federal Unemployment Insurance Trust Fund of the United States Treasury, and utilizes commercial banks for depositing amounts disbursed for unemployment benefit payments. All such funds are generally available to the Division with overnight notice, and are considered cash equivalents.

(e) **Inventory**

Inventory consists of supplies used in the normal course of business and is valued at the lower of cost or market using the first in first out method.

(f) **Revenue and Receivables**

The Division has one primary source of revenue for each fund type. The general fund's activities are supported by federal grants primarily on a reimbursement basis. Expenditures in excess of receipts are recorded as "due from other governments".

Revenue in the UC Trust Fund represents employer contributions for unemployment insurance. The Division recognizes as revenue and taxes receivable amounts due for periods ending on or before the balance sheet date, together with an allowance for estimated uncollectible employer contributions. When collected, these funds are held in trust until expended to pay unemployment benefits. The amounts on the financial statement are reported net of an allowance for doubtful accounts of \$3,067.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies (Continued)

(g) Capital Assets

Capital assets, which consist primarily of office furniture and equipment of the Division, are reported in the applicable governmental or business-type activities columns in the statement of net assets of the government-wide financial statements. In accordance with the capitalization policy adopted by the Division for financial reporting, assets costing in excess of five thousand dollars are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Depreciation is computed for these assets using the straight-line method over the estimated economic useful lives ranging from 3-20 years. Total depreciation expense relating to the Division approximated \$167 for the fiscal year ended June 30, 2013. Accumulated depreciation relating to the capital assets approximated \$397 at June 30, 2013. Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets:				
Governmental activities				
Office furniture and equipment	\$ 1,536	\$ 39	\$ (45)	\$ 1,530
Accumulated depreciation	(275)	(167)	45	(397)
Governmental activities capital assets, net	\$ 1,261	\$ (128)	\$ -	\$ 1,133

(h) Other Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Balances classified as operating revenues and expenses are those which comprise the Division's ongoing operations. Principal operating revenues are charges to customers for use of the services. Principal operating expenses are the costs of providing the goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses, if any, are classified as non-operating in the financial statements.

(i) Retirement Benefits

The Division's employees are covered by the West Virginia Public Employees Retirement System (PERS), a multi-employer cost-sharing defined benefit pension plan. PERS covers substantially all employees of the Division.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

(i) **Net Position and Fund Balance**

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Division or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Such constraints limit the Division's ability to use the resources to pay current liabilities.

FUND BALANCE – As required by GASB 54, the Division displays fund balance in five components. If applicable: nonspendable, restricted, committed, assigned and unassigned.

NONSPENDABLE FUND BALANCE – Nonspendable fund balance includes amounts that cannot be spent because they are (a) either not in spendable form or (b) legally or contractually required to be maintained intact.

RESTRICTED FUND BALANCE – Restricted fund balances should be reported when constraints place on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

COMMITTED FUND BALANCE – Committed fund balances should be reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the Division, this decision-making authority is the West Virginia State Legislature.

ASSIGNED FUND BALANCE – Assigned fund balances should be reported for amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances at the Division are approved by the WORKFORCE Executive Management Team.

UNASSIGNED FUND BALANCE – Unassigned fund balance is the residual classification for the Division's general fund and includes all spendable amounts not contained in the other classifications.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Division has the authority to deviate from this policy if it is in the best interest of the Division.

At June 30, 2013, the General Fund had an assigned fund balance for encumbrances of \$28 that are composed of contracts for vendors' services and subrecipients who provide Rapid Response, State Set Aside, National Emergency Grant, Navigator, and other WORKFORCE services. Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at fiscal year-end.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies (Continued)

(k) Compensated absences

Effective July 1, 2007, the Division adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement provided standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2007, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia (the "State"). Effective July 1, 2007, the Division was required to participate in this multiple employer cost-sharing plan the West Virginia Retiree Health Benefit Trust Fund (RHBT), sponsored by the State of West Virginia. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan can be obtained by contacting RHBT, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or <http://www.wvpeia.com>.

This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Full-time employees earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. The liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

The estimated expense and expense incurred for the vacation leave, or OPEB benefits are recorded as a component of benefits expense on the statements of revenues, expenses, and changes in net assets.

Legislation requires the RHBT to determine through an actuarial study, the ARC (Annual Required Contribution) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers including the Division who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB healthcare claims and administrative expenses with residue funds held in trust for future OPEB costs. Based on the actuarial study completed, the annual required contribution rates were determined for the fiscal year ended June 30, 2013. The OPEB expense for fiscal year 2013 based upon actuarial determined amounts is \$255 per current employee per month which was the annual required contribution. The total OPEB expense for fiscal year 2013 was \$938. The amount accrued as the RHBT liability is \$6,588 at June 30, 2013.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

The total OPEB expense relating to retirees was \$218 during fiscal year 2013. As of the year ended June 30, 2013, there were 92 individuals receiving these benefits. Retirees receiving benefits increased 12.20% compared to 2012 financials.

(II) **Recent Statements Issued By GASB**

For 2013, the Division implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"*. Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. The implementation of GASB 63 had no material effect on the financial statements of the Division.

In March 2012, the GASB issued Statement No. 65, *"Items Previously Reported as Assets and Liabilities"* which will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for fiscal year 2014, and management has not yet determined the financial statement impact of the pronouncement.

(2) **Deposits**

The composition of cash and cash equivalents were as follows at June 30, 2013:

	Amortized Cost	Estimated Fair Value
Cash on deposit with State Treasurer / State Auditor's Office	\$ 1,440	\$ 1,440
Cash in bank	462	462
Cash in U.S. Treasury	<u>119,237</u>	<u>119,237</u>
	<u>\$ 121,139</u>	<u>\$ 121,139</u>

At June 30, 2013, the carrying value of amounts on deposit with the U.S. Treasury in the Federal Unemployment Insurance Trust Fund approximated \$119,237 while \$462 of deposits were held in commercial bank accounts that are utilized for collection of unemployment taxes and benefit payments. Substantially all of the Division's deposits in commercial bank accounts are collateralized by securities held by the pledging financial institution, but not in the Division's name.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(3) Leases

The Division has various lease agreements for its current central office buildings and various hearing and field offices throughout West Virginia. The Division also leases a small number of vehicles.

All State agencies are required to have language in their lease agreements which allow termination by either party with 30 days notice. The Division has entered into several such agreements. The Division plans to honor the original terms of all such agreements and, therefore, has provided disclosure of these "operating" leases as though they were non-cancelable. These leases are classified as operating leases with the lease payments recorded as rent expense as they become payable. Contingent rentals on operating leases for certain equipment are determined based on usage of the equipment. In addition, certain operating leases for office space include rent escalation provisions based on increases in the lessor's real property taxes over taxes paid in a base year and annual renewal options.

Future minimum rentals under operating leases for the Division at June 30, 2013 are as follows:

Rentals due in fiscal year:

2014	\$ 2,449
2015	2,077
2016	765
2017	440
2018	366
Thereafter	<u>646</u>
Total minimum lease payments	<u>\$ 6,743</u>

Rental expense for the minimum rentals under operating leases for the year ended June 30, 2013 was \$2,270.

(4) Compensated Absences and Other Post Employment Benefits

The liability for compensated absences is generally liquidated in the fund for which the liability is recorded. Changes in compensated absences balances and other post employment benefits are as follows:

	<u>Beginning Balance</u>	<u>Additions/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
Compensated absences	\$ 1,232	\$ (19)	\$ 1,213	\$ 842
RHBT payable (OPEB)	<u>6,504</u>	<u>84</u>	<u>6,588</u>	<u>-</u>
	<u>\$ 7,736</u>	<u>\$ 65</u>	<u>\$ 7,801</u>	<u>\$ 842</u>

The Division's obligation for accrued vacation leave time includes leave time and related costs expected to be paid to employees in the future and are determined using wage levels in effect at the date the obligation is calculated. Also included in this amount is the Division's unfunded obligation arising in connection with legislation to fund portions of employee post retirement health insurance costs for retired employees.

Upon retirement, an employee may apply unused sick leave or annual leave, or both to reduce their future insurance premiums paid to the West Virginia Public Employees Insurance Division or to obtain a greater benefit under the West Virginia Public Employees Retirement System.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(5) Pension Plan

(a) Plan Description

The Division contributes to the West Virginia Public Employees Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Employees who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death, and disability benefits to plan members and beneficiaries. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report can be obtained by writing to CPRB, Capitol Complex, Building 5, Room 1000, Charleston, WV 25305.

(b) Funding Policy

The PERS funding policy has been established by action of the State Legislature. State statute requires plan members to contribute 4.5% of their annual covered salary. Effective July 1, 2012, employer contribution rates were 14.0% of the member's annual earnings. This is a combined contribution of 18.5%. Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. The contribution requirements of plan members and the Division are established and may be amended by the PERS Board of Trustees. The Division's contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were \$1,884, \$2,088, and \$1,822, respectively, equal to the required contributions for each year.

(6) Related Party Transactions

During the course of operations, the Division enters into transactions with other agencies of the State of West Virginia. These transactions consist of normal Division/employer transactions or fees for services paid to other State enterprise or internal service funds, as set forth below:

	General Fund	Unemployment Compensation Trust
Employer premiums revenue from other State agencies	\$ -	\$ 2,365
Employee benefits and other costs paid to other State agencies	\$ 3,398	\$ -

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(6) **Related Party Transactions (Continued)** &

Due from other State Agencies:

	<u>General Fund</u>	<u>Unemployment Compensation Trust</u>
West Virginia Department of Health and Human Resources,		
Bureau of Child Support	\$ -	\$ -
Supreme Court of Appeals	-	38
Rehabilitation Services	-	-
Motor Vehicles	-	6
WV Department of Highways	-	46
Health & Human Resources	-	72
Natural Resources	-	35
Lakin State Hospital	-	11
William R. Sharpe Jr. Hospital	-	5
Attorney General's Office	-	16
Environmental Protection	-	5
Regional Jail	-	89
Mt. Olive	-	14
Division of Juvenile Services	-	22
State Colleges	-	166
Others	<u>\$ -</u>	<u>\$174</u>
Total	<u>\$ -</u>	<u>\$699</u>

(7) **Commitments and Contingencies**

(a) **Risk Management**

The Division is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia established the Board of Risk and Insurance Management (BRIM) and the Public Employees Insurance Agency (PEIA) to account for and finance uninsured risks of losses for state agencies, institutions of higher education, and component units.

BRIM is a public entity risk pool that provides coverage for general, liability and property damage in the amount of \$1,000 per occurrence. There have been no settlements that have exceeded this coverage in the last three years. PEIA is also a public entity risk pool and provides coverage for employee and dependent health, life and prescription drug insurance.

Through its participation in the PEIA, the Division has obtained health, life and prescription drug coverage for all its employees. The Division, through a third-party insurer has obtained coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and a third-party insurer, the Division has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(In Thousands, Unless Otherwise Noted)

(7) Commitments and Contingencies (Continued)

These entities issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to these specific entities.

(b) Other Risks

During the normal course of operations, the Division incurs certain routine claims. The Legal Counsel for the Division has evaluated the potential loss for these claims and believes that the insurance coverage provided by WVBRIM is adequate to cover any potential losses from these claims.

The Division participates in several federal programs which are subject to audit by the federal awarding agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal awarding agency cannot be determined at this time. The Division records these disallowed audit adjustments for questioned costs in the period the audit is finalized.

(8) Deficit Funding Plan

The Division has taken significant steps to improve fiscal accountability and monitoring of the local workforce investment boards. Procedures have been put into place to ensure that charges to programs are allowable and proper and that grant obligations do not exceed the current grant funds available. In addition, the Division has issued fiscal guidelines for the local Workforce Investment Boards and has conducted fiscal training with their key fiscal personnel.

The Division is continuing to improve its budgetary process and is looking at various methods to control expenses; including, but not limited to, budget cutbacks, closing of offices, and the reorganization of various job responsibilities within the Division. In addition, the Division is developing a more comprehensive oversight program to monitor the seven subrecipient Workforce Investment Boards in an effort to reduce non-allowable expenditures. Furthermore, management intends to perform a comprehensive review of the workforce investment board structure to determine if a more cost effective structure that delivers the same level of client service can be implemented.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

WORKFORCE WEST VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2013
(in Dollars)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1				
Resources (Inflows)	\$ 22,441,693	\$ 22,644,693	\$ 1,061,368	\$ (21,583,225)
Beginning Balance 7/1/12	\$ 61,441,498	\$ 61,441,498	\$ 46,057,177	\$ (15,384,319)
2013 FY Gross Revenue and Appropriations	\$ 83,883,089	\$ 84,086,089	\$ 47,119,648	\$ (36,967,544)
Amounts Available For Appropriation				
Charges To Appropriations (Outflows):	\$ 17,003,409	\$ 17,003,409	\$ 14,710,178	\$ 2,293,231
001-Personal Services (With Payroll Deductions)	\$ -	\$ -	\$ -	\$ -
002-Personal Services (Without Payroll Deductions)	\$ -	\$ -	\$ 354,379	\$ 14,881
003-Payroll Reimbursements	\$ 369,260	\$ 389,260	\$ -	\$ -
004-Annual Increment	\$ -	\$ -	\$ -	\$ -
Employee Benefits:	\$ 116,463	\$ 116,463	\$ 94,275	\$ 21,188
010-Personnel Division & Public Employees Insurance	\$ 1,360,775	\$ 1,360,775	\$ 1,086,284	\$ 270,511
011-Social Security Matching	\$ 1,365,659	\$ 1,365,659	\$ 1,639,523	\$ (273,864)
012-Public Employees' Insurance	\$ -	\$ -	\$ -	\$ -
013-Other Health Insurance	\$ 82,682	\$ 82,682	\$ 60,729	\$ 21,953
014-Workers Compensation	\$ 48,998	\$ 48,998	\$ 42,895	\$ 3,103
015-Unemployment Compensation	\$ 2,424,890	\$ 2,424,890	\$ 1,856,188	\$ 468,504
016-Pension & Retirement	\$ -	\$ -	\$ -	\$ -
Current Expenses:	\$ 475,883	\$ 475,883	\$ 468,423	\$ 7,460
020-Office Expenses	\$ 108,603	\$ 108,603	\$ 170,567	\$ (61,964)
021-Printing and Binding	\$ 2,452,570	\$ 2,462,570	\$ 2,270,871	\$ 181,699
022-Rental Expense	\$ 11,005	\$ 11,005	\$ 28,472	\$ (17,467)
023-Utilities	\$ 799,261	\$ 799,261	\$ 765,321	\$ 33,940
024-Telecommunications	\$ 1,422,209	\$ 509,123	\$ 984,686	\$ 437,524
025-Contractual and Professional	\$ 808,123	\$ 1,452,658	\$ 1,490,396	\$ (37,738)
026-Travel	\$ 1,452,658	\$ 31,748	\$ 16,019	\$ 15,728
027-Computer Services	\$ 31,748	\$ 68,848	\$ -	\$ 68,848
028-Vehicle Rental	\$ 68,848	\$ 29,024	\$ 38,650	\$ (9,626)
030-Rentals (Machine and Miscellaneous)	\$ 29,024	\$ 29,024	\$ 56,604	\$ (31,187)
031-Association Dues and Professional Memberships	\$ 87,991	\$ 87,991	\$ -	\$ -
032-Fire, Auto, Bond, and Other Insurance	\$ -	\$ -	\$ 7,602	\$ (7,602)
033-Food Clothing	\$ 2,034	\$ 2,034	\$ 56,148	\$ (54,114)
034-Clothing, Household and Recreational Supplies	\$ 71,393	\$ 71,393	\$ 8,325	\$ 63,068
035-Advertising and Promotional	\$ 2,382	\$ 2,382	\$ 636	\$ 1,746
036-Vehicle Operating Expense	\$ 9,878	\$ 375,588	\$ -	\$ 375,588
037-Research, Educational and Medical Supplies	\$ 375,588	\$ 10,824	\$ 14,282	\$ (3,458)
038-Routine Maintenance Contracts	\$ 10,824	\$ 46,908	\$ 34,432	\$ 12,476
041-Cellular Charges	\$ 46,908	\$ 5,913	\$ 4,000	\$ 1,913
042-Hospitality	\$ 5,913	\$ 18,043	\$ 21,408	\$ (3,365)
043-Educational Training (Stipends)	\$ 18,043	\$ 1,464	\$ -	\$ 1,464
044- Energy Exp Mtr Veh/Air	\$ 1,464	\$ 38,315	\$ 40,119	\$ (1,804)
045-Farm Expense	\$ 38,315	\$ 38,315	\$ 1	\$ 38,314
047- Energy Expense Utilities	\$ -	\$ 43,315	\$ 13,124	\$ 30,191
048-Discharge & Parole Allow	\$ 43,315	\$ 39,966	\$ 74,110	\$ (34,144)
051-Miscellaneous	\$ 39,966	\$ 1,256,978	\$ 1,088,849	\$ 170,129
052-Training and Development	\$ 1,256,978	\$ 1,495,167	\$ -	\$ 1,495,167
053-Postal and Freight	\$ 1,495,167	\$ -	\$ 2,700	\$ (2,700)
054-Computer Supplies	\$ -	\$ -	\$ -	\$ -
056-Attorney Legal Service Payments	\$ -	\$ -	\$ 140,548	\$ (140,548)
057-Attorney Reimbursable Expenses	\$ 797,121	\$ 797,121	\$ -	\$ 797,121
058-Miscellaneous Equipment Purchases	\$ -	\$ -	\$ 233	\$ (233)
059-Student Activities	\$ 3,558	\$ 3,558	\$ -	\$ 3,558
061-Office & Communication Equipment Repairs	\$ 1,073	\$ 1,073	\$ -	\$ 1,073
062-Research, Educational, & Medical Equipment Repairs	\$ 17,668	\$ 17,668	\$ 209	\$ (17,459)
063-Building & Household Equipment Repairs	\$ 153	\$ 153	\$ 3,206	\$ (3,053)
064-Routine Maintenance Of Buildings	\$ -	\$ -	\$ -	\$ -
065-Vehicle Repairs	\$ 4,074	\$ 4,074	\$ 1,160	\$ 2,914
066-Routine Maintenance of Grounds	\$ 52,852	\$ 52,852	\$ 17,278	\$ 35,574
068-Other Repairs and Alterations	\$ 54,994	\$ 54,994	\$ -	\$ 54,994
070-Office and Communication Equipment	\$ -	\$ -	\$ 6,816	\$ (6,816)
071-Medical Equipment	\$ -	\$ -	\$ -	\$ -
073-Household Equipment and Furnishings	\$ -	\$ -	\$ -	\$ -
074-Building Equipment	\$ -	\$ -	\$ -	\$ -
075-Vehicles	\$ 150,614	\$ 150,614	\$ -	\$ 150,614
077-Books and Periodicals	\$ 818,344	\$ 818,344	\$ 889	\$ (817,455)
078-Other Capital Equipment	\$ -	\$ -	\$ -	\$ -
080-Payment Of Taxes	\$ -	\$ -	\$ -	\$ -
081-Payment Of Claims	\$ -	\$ 66	\$ -	\$ 66
083-Grants, Awards, Scholarships, and Loans	\$ 66	\$ -	\$ -	\$ 66
089-Bank Costs	\$ -	\$ 2,978	\$ -	\$ 2,978
092-Building Construction	\$ 2,978	\$ 66	\$ -	\$ 2,912
096-Other Interest and Penalties	\$ 66	\$ 840,000	\$ 54,418	\$ 785,582
098-Natural Disaster Grants	\$ 840,000	\$ -	\$ -	\$ 840,000
100-Fund Transfers	\$ -	\$ -	\$ -	\$ -
101-Legislative Direct Transfer	\$ 19,826,798	\$ 19,826,798	\$ 15,899,207	\$ 3,927,591
124-Cost Allocation Adjustment/Settlement	\$ 2,421,507	\$ 2,421,507	\$ -	\$ 2,421,507
128-Federal Subrecipient Disbursement	\$ 1,100	\$ 1,100	\$ 58,732	\$ (57,632)
143-Building Improvements	\$ -	\$ -	\$ -	\$ -
166-Medical Service Payments	\$ -	\$ 982,948	\$ 991,987	\$ (9,039)
167-Leasehold Improvements	\$ 982,948	\$ -	\$ -	\$ 982,948
160-OPEB Expense	\$ -	\$ -	\$ -	\$ -
170-Computer Equipment	\$ -	\$ -	\$ 479,284	\$ (479,284)
171-Computer Software	\$ -	\$ -	\$ 53,158	\$ (53,158)
331- Other Travel	\$ -	\$ -	\$ 87,847	\$ (87,847)
343-Other Rentals	\$ -	\$ -	\$ 237,967	\$ (237,967)
360-Comm Equip Maint Contract	\$ -	\$ -	\$ 80,103	\$ (80,103)
351-Other Maintenance Contracts	\$ -	\$ -	\$ 304,026	\$ (304,026)
360-Software Licenses	\$ -	\$ -	\$ -	\$ -
361-Other Computer Supplies	\$ -	\$ -	\$ -	\$ -
Total Charges To Appropriations	\$ 24,288,168	\$ 24,471,168	\$ 1,295,326	\$ (23,175,843)
Budgetary Fund Balance, June 30, 2013				

WORKFORCE WEST VIRGINIA
 NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND
 YEAR ENDED JUNE 30, 2013
 (in Thousands)

(1) Budget and Actual Comparison

The Division's General Fund has a legislatively approved budget. However, certain monies reported within the General Fund in accordance with accounting principles generally accepted in the United States of America (GAAP), are not considered appropriated funds in accordance with the Division's budgetary reporting policy. Accordingly, these amounts have not been reported in the Division's Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund. A reconciliation of the net change in fund balance for the year ended June 30, 2013, on the budgetary basis to the GAAP basis for the General Fund follows:

Net change in fund balance - budgetary basis	(234)
Basis of accounting differences (budgetary to GAAP)	403
Unbudgeted funds	462
Transfers	<u>959</u>
Net change in fund balance - GAAP basis	<u>1,590</u>

OTHER FINANCIAL INFORMATION

**WORKFORCE WEST VIRGINIA
OTHER FINANCIAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Fund 3450 Administration and Service
Year Ended June 30, 2013
(In Dollars)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/12	8,924,872	8,924,872	205,008	(8,719,864)
2013 FY Gross Revenue	31,456,499	31,456,499	27,192,416	(4,264,083)
Amounts Available For Appropriation	40,381,371	40,381,371	27,397,424	(12,983,947)
Charges To Appropriations (Outflows):				
001-Personal Services (With Payroll Deductions)	15,468,246	15,468,246	13,468,953	1,999,293
002-Personal Services (Without Payroll Deductions)			-	-
003-Payroll Reimbursements			-	-
004-Annual Increment	353,680	353,680	335,672	18,008
Employee Benefits:				
010-Personnel Division & Public Employees Insurance	108,713	108,713	86,780	21,933
011-Social Security Matching	1,210,377	1,210,377	1,004,475	205,902
012-Public Employees' Insurance	1,274,367	1,274,367	1,527,463	(253,096)
013-Other Health Insurance			-	-
014-Workers Compensation	74,059	74,059	51,447	22,612
015-Unemployment Compensation	42,263	42,263	40,306	1,957
016-Pension & Retirement	2,215,069	2,215,069	1,793,718	421,351
Current Expenses:				
020-Office Expenses	449,326	449,326	414,537	34,789
021-Printing and Binding	83,225	83,225	133,631	(50,406)
022-Rental Expense	1,853,979	1,853,979	2,077,238	(223,259)
023-Utilities	5,629	5,629	27,803	(22,174)
024-Telecommunications	408,225	408,225	698,005	(289,780)
025-Contractual and Professional	691,594	691,594	748,719	(57,125)
026-Travel	358,570	358,570	-	358,570
027-Computer Services	1,397,776	1,397,776	1,396,375	1,401
029-Vehicle Rental	30,090	30,090	13,924	16,166
030-Rentals (Machine and Miscellaneous)	65,884	65,884	-	65,884
031-Association Dues and Professional Memberships	29,024	29,024	36,026	(7,002)
032-Fire, Auto, Bond, and Other Insurance	69,873	69,873	49,040	20,933
033-Food Clothing			-	-
034-Clothing, Household and Recreational Supplies	1,939	1,939	7,198	(5,259)
035-Advertising and Promotional	67,498	67,498	12,037	55,461
036-Vehicle Operating Expense	2,128	2,128	7,740	(5,612)
037-Rsrch/Educ & Medical Su			636	(636)
038-Routine Maintenance Contracts	360,810	360,810	-	360,810
041-Cellular Charges	8,864	8,864	11,718	(2,854)
042-Hospitality	35,152	35,152	27,048	8,104
043-Educational Training (Stipends)	5,394	5,394	3,831	1,563
044- Energy Exp Mtr Veh/Air	18,029	18,029	18,719	(690)
047- Energy Expense Utilities	37,714	37,714	39,687	(1,973)
048-Discharge & Parole Allow			1	(1)
051-Miscellaneous	43,004	43,004	11,446	31,558
052-Training and Development	14,675	14,675	70,352	(55,677)
053-Postal and Freight	1,247,549	1,247,549	1,068,547	179,002
054-Computer Supplies	897,944	897,944	-	897,944
056-Attorney Legal Service Payments			2,700	(2,700)
058-Miscellaneous Equipment Purchases	88,796	88,796	81,595	7,201
061-Office & Communication Equipment Repairs	1,794	1,794	223	1,571
063-Building & Household Equipment Repairs	17,556	17,556	(27)	17,583
064-Routine Maintenance Of Buildings	145	145	162	(17)
065-Vehicle Repairs			3,093	(3,093)
068-Other Repairs and Alterations	33,986	33,986	1,156	32,830
070-Office and Communication Equipment	49,044	49,044	18,565	32,479
073-Household Equipment and Furnishings			5,290	(5,290)
077-Books and Periodicals	150,614	150,614	-	150,614
078-Other Capital Equipment	818,278	818,278	-	818,278
080-Payment Of Taxes			689	(689)
089-Bank Costs	65	65	-	65
096-Other Interest and Penalties	2,960	2,960	186	2,774
099-Natural Disaster Grants	33	33	-	21
100-Fund Transfers	420,000	420,000	12	420,000
124-Cost Allocation Adjustment/Settlement	14,619	14,619	-	14,619
160-OPEB Expense	928,840	928,840	-	14,439
331- Other Travel			914,401	(914,401)
343-Other Rentals			423,042	(423,042)
350-Comm Equip Maint Contract			50,329	(50,329)
351-Other Maintenance Contracts			76,012	(76,012)
360-Software Licenses			203,444	(203,444)
361-Other Computer Supplies			74,337	(74,337)
Total Charges To Appropriations	31,457,499	31,457,499	27,294,183	4,163,316
Budgetary Fund Balance, June 30, 2013	8,923,872	8,923,872	103,241	(8,820,631)

WORKFORCE WEST VIRGINIA
OTHER FINANCIAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Fund 8835 Consolidated Federal Funds
Year Ended June 30, 2013
(In Dollars)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/11	1,025,314	1,028,314	333	(1,027,981)
2012 FY Gross Revenue	5,012,657	5,012,657	270,223	(4,742,434)
Amounts Available for Appropriation	6,037,971	6,040,971	270,557	(5,770,414)
Charges to Appropriations (Outflows):				
001-Personal Services (With Payroll Deductions)	207,537	207,537	45,233	162,304
Employee Benefits				
010-Personnel Division & Public Employees Insurance			342	(342)
011-Social Security Matching	15,117	15,117	3,267	11,850
012-Public Employees' Insurance	31,976	31,976	4,131	27,845
014-Workers Compensation	3,689	3,689	434	3,255
015-Unemployment Compensation	3,735	3,735	227	3,508
016-Pension & Retirement	36,897	36,897	6,216	30,681
Current Expenses				
020-Office Expenses	2,189	2,189	-	2,189
022-Rental Expense	526,177	526,177	118,986	407,191
023-Utilities	5,344	5,344	443	4,901
024-Telecommunications	377,174	377,174	51,838	325,336
025-Contractual and Professional	524,480	524,480	-	524,480
026-Travel	108,488	108,488	-	108,488
032-Fire, Auto, Bond, and Other Insurance	14,506	14,506	3,075	11,431
037-Research, Educational and Medical Supplies	9,499	9,499	-	9,499
053-Postal and Freight			20	(20)
054-Computer Supplies	587,214	587,214	-	587,214
058-Miscellaneous Equipment Purchases	706,858	706,858	718	706,140
061-Office & Communication Equipment Repairs	1,761	1,761	-	1,761
064-Routine Maintenance Of Buildings			47	(47)
066- Routine Maintenance of Grounds	4,074	4,074	-	4,074
068-Other Repairs and Alterations	18,367	18,367	-	18,367
160-OPEB Expense			2,766	(2,766)
331-Other Travel			7,259	(7,259)
343-Other Rentals			914	(914)
361-Other Computer Supplies			23,277	(23,277)
Total Charges To Appropriations	3,185,082	3,185,082	269,195	2,915,887
Budgetary Fund Balance, June 30, 2013	2,852,889	2,855,889	1,362	(2,854,527)

WORKFORCE WEST VIRGINIA
OTHER FINANCIAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Fund 3451 Interest on Employers Delinquent Contributions Fund
Year Ended June 30, 2013
(In Dollars)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/11	-	-	\$ 744,567	\$ 744,567
2012 FY Gross Revenue	420,000	420,000	354,999	(65,001)
Amounts Available For Appropriation	420,000	420,000	1,099,566	679,566
Charges To Appropriations (Outflows):				
100-Fund Transfers	420,000	420,000	54,418	365,582
Total Charges To Appropriations	420,000	420,000	54,418	365,582
Budgetary Fund Balance, June 30, 2013	\$ -	\$ -	\$ 1,045,148	\$ 1,045,148

**WORKFORCE WEST VIRGINIA
OTHER FINANCIAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Fund 8749 Workforce Investment Act
Year Ended June 30, 2013
(In Dollars)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/12	12,491,407	12,691,407	111,460	(12,579,947)
2013 FY Gross Revenue	24,552,340	24,552,340	18,239,538	(6,312,802)
Amounts Available For Appropriation	37,043,747	37,243,747	18,350,998	(18,892,749)
Charges To Appropriations (Outflows):				
001-Personal Services (With Payroll Deductions)	1,327,626	1,327,626	1,195,877	131,749
004-Annual Increment	15,580	15,580	18,707	(3,127)
Employee Benefits:				
010-Personnel Division & Public Employees Insurance	6,750	6,750	7,153	(403)
011-Social Security Matching	141,281	141,281	88,515	52,766
012-Public Employees' Insurance	59,516	59,516	107,916	(48,400)
014-Workers Compensation	4,934	4,934	8,848	(3,914)
015-Unemployment Compensation			2,360	(2,360)
016-Pension & Retirement	172,724	172,724	156,237	16,487
Current Expenses:				
020-Office Expenses	24,368	24,368	53,467	(29,099)
021-Printing and Binding	25,378	25,378	36,956	(11,578)
022-Rental Expense	72,414	72,414	74,638	(2,224)
023-Utilities	32	32	227	(195)
024-Telecommunications	13,862	13,862	15,476	(1,614)
025-Contractual and Professional	206,135	206,135	185,964	20,171
026-Travel	41,065	41,065	-	41,065
027-Computer Services	54,882	54,882	75,698	(20,816)
029-Vehicle Rental	1,658	1,658	1,872	(214)
030-Rentals (Machine and Miscellaneous)	2,964	2,964	-	2,964
031-Association Dues and Professional Memberships			2,624	(2,624)
032-Fire, Auto, Bond, and Other Insurance	3,512	3,512	4,689	(1,177)
034-Clothing, Household and Recreational Supplies	95	95	280	(185)
035-Advertising and Promotional	3,895	3,895	43,111	(39,216)
036-Vehicle Operating Expense	254	254	584	(330)
037-Rsrch/Educ & Medical Su	179	179	-	179
038-Routine Maintenance Contracts	14,778	14,778	-	14,778
041-Cellular Charges	1,960	1,960	2,562	(602)
042-Hospitality	10,756	10,756	7,384	3,372
043-Educational Training (Stipends)	519	519	169	350
044- Energy Exp Mlr Veh/Air	14	14	2,500	(2,486)
045-Farm Expense	1,454	1,454	-	1,454
047- Energy Expense Utilities	601	601	433	168
051-Miscellaneous	311	311	1,678	(1,367)
052-Training and Development	25,291	25,291	3,758	21,533
053-Postal and Freight	9,429	9,429	18,283	(8,854)
054-Computer Supplies	9,999	9,999	-	9,999
058-Miscellaneous Equipment Purchases	1,467	1,467	21,431	(19,964)
061-Office & Communication Equipment Repairs	3	3	9	(6)
062-Research, Educational, & Medical Equipment Repairs	1,073	1,073	-	1,073
063-Building & Household Equipment Repairs	12	12	27	(15)
064-Routine Maintenance Of Buildings	8	8	-	8
065-Vehicle Repairs			114	(114)
068-Other Repairs and Alterations	599	599	4	595
070-Office and Communication Equipment	5,950	5,950	713	5,237
073-Household Equipment and Furnishings			525	(525)
078-Other Capital Equipment	66	66	-	66
089-Bank Costs	1	1	-	1
096-Other Interest and Penalties	19	19	(186)	205
099-Natural Disaster Grants	32	32	(12)	44
124-Cost Allocation Adjustment/Settlement	19,812,179	19,812,179	-	19,812,179
128-Federal Subrecipient Disbursement	2,421,507	2,421,507	15,699,207	(13,277,700)
143-Building Improvements	1,100	1,100	-	1,100
156- Medical Service Payments			58,732	(58,732)
160-WV OPEB Contribution	54,108	54,108	74,796	(20,688)
331-Other Travel			42,128	(42,128)
343-Other Rentals			1,913	(1,913)
350-Comm equip Maint contract			11,834	(11,834)
351-Other Maintenance Contracts			10,523	(10,523)
360-Software Licenses			967	(967)
361-Other Computer Supplies			20,177	(20,177)
Total Charges To Appropriations	24,552,340	24,552,340	18,060,869	6,491,471
Budgetary Fund Balance, June 30, 2013	12,491,407	12,691,407	290,129	(12,401,278)

INTERNAL CONTROL AND COMPLIANCE REPORT



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*

The Commissioner
WORKFORCE West Virginia
Charleston, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities and each major fund of WORKFORCE West Virginia (the Division), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements and have issued our report thereon dated October 14, 2013, wherein we noted the WORKFORCE implemented GASB Statement No. 63.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Division's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Division's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Division's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Division's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under Government Auditing Standards.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Division's internal control or on compliance. This report is an integral part of an audit performed under Government Auditing Standards in considering the Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
October 14, 2013



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Members of the Governing Board
WORKFORCE West Virginia
Charleston, West Virginia

In accordance with Government Auditing Standards, applicable to financial audits, we have audited the financial statements of the WORKFORCE West Virginia (the Division) as of and for the year ended June 30, 2013, and have issued our report thereon dated October 14, 2013.

Government Auditing Standards also require that we describe the scope of our testing of compliance with laws and regulations and internal controls and report any irregularities, illegal acts, other material noncompliance and significant deficiencies in internal controls. We have issued the required report dated October 14, 2013 for the year ended June 30, 2013.

We are submitting for your consideration the following comment on the Division's compliance with applicable laws and regulations and on its internal controls. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or significant internal control deficiencies, we believe represent matters for which improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your government. If you have any questions or concerns regarding these comments, please do not hesitate to contact us.

Recommendations

1. The trial balances of the Division did not agree to the financial statements in all instances by insignificant amounts.

The Division should ensure that the trial balances agree to the financial statements.

2. The financial statements and footnotes to the financial statements contained several errors due mainly to the implementation of GASB Statement No. 63.

The Division should ensure that all new GASB Statements are properly implemented.

This report is intended solely for the information and use of management, the Governing Board, and Federal and State oversight agencies. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
October 14, 2013

bhs

Circleville

Ironton

Piketon

Wheelersburg

Worthington

WorkForce WV Programs

EXHIBIT D WWV14869

Acronym	Program Description
AS&T	Admin Serv & Tech
CES	CES BLS
LAUS	LAUS BLS
OES	OES BLS
ES202	ES-202 BLS
MLS	MLS BLS
OSHS	OSHS BLS
ESLAB	ES Labor Cert
HSING	ES AG Reimb Hsing
WGSVY	ES AG Wage Survey
TAA	TAA Admin
WOTC	ES WOTC
HCTC	TAA Healthcare Initiative
ES10%	ES 10% Plan
LVER	LVER Vets
DVOP	DVOP Vets
ES90%	ES 90% Plan
EUC	Emergency Unemp Comp
UC	UC Reg Grant
QC	UC Qual Control
LMI	LMI

UCTRA UC Trade

RG6CM Region 6 Case Mgmt.

RG6EL Region 6 Eligibility

RRADM Rapid Response Overhead

WIA WIA Admin

MACC MACC

UIAS UI Admin Stimulus

NEG National Emergency Grant

NEG FY13 Severe Storm

REA Re-Employment and Eligibility

TAACM TAA Case Management

GRNGT Green Grant

BBND Broadband Grant

LEERS LEERS - VOW PY11

CHILD Child Sup. Reim. ES

AFDC AFDC-Food Reim. ES

SIDES SIDES Phase I

SIDES SIDES Phase II

SIDES SIDES Expansion

IVR Interactive Voice Response

BTR Benefit-Tax Rewrite

WRKKYS WorkKeys

EUCREA Emerg Unempl Comp - REA

NEG-COAL NEG - Coal (WARN)

NEG-HSANDY NEG - Hurricane Sandy

CCOH Cost Center Overhead

----- P&I

630 Reed Act - ES

622 Reed Act - UI

SIDES SIDES MESSAGING

IVR IT SYSTEMS IVR

VOIP IT SYSTEMS VOIP

IPAP IP ADDRESS PREVENT

MERIT MERIT STAFF

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.: WWV14869

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 type="checkbox"/> Addendum No. 2	<input type="checkbox"/> Addendum No. 7
<input type="checkbox"/> Addendum No. 3	<input type="checkbox"/> Addendum No. 8
<input 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.

Bakstra, Horv & Scherer (PAs, Inc.)
 Company

Michael A. Bakstra
 Authorized Signature

7-2-2014
 Date

NOTE: This addendum acknowledgment should be submitted with the bid to expedite document processing.
 Revised 6/8/2012

PROPOSAL
FOR
WORKFORCE WEST VIRGINIA
FOR
PROFESSIONAL AUDITING SERVICES
JUL 1, 2013 THROUGH JUNE 30, 2014
RFQ# WWV14869

SUBMITTED JULY 2, 2014 BY
BALESTRA, HARR & SCHERER, CPAs, INC.
MICHAEL A. BALESTRA, SHAREHOLDER/DIRECTOR
balestra@bhscpas.com

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

PO BOX 325
HUNTINGTON, WV 25708
304-521-2648

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Balestra, Harr & Scherer, CPAs, Inc.

ACCOUNTING, AUDITING, AND CONSULTING SERVICES

FOR FEDERAL, STATE, AND LOCAL GOVERNMENTS

www.bhscpas.com

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

PO BOX 325
HUNTINGTON, WV 25708
(304) 521-2648

July 2, 2014

WORKFORCE WEST VIRGINIA
WV Bureau of Employment Programs
3701 Mac Corkle Avenue SE
Charleston, WV 25304

In accordance with the State of West Virginia Purchasing Division and WORKFORCE WEST VIRGINIA's request for proposal (RFP), Balestra, Harr & Scherer, CPAs, Inc. is pleased to submit this proposal to perform the financial and compliance audit of the WORKFORCE WEST VIRGINIA for period July 1, 2010 through June 30, 2014, with option to audit financial statements for each of the two (2) subsequent fiscal years.

Balestra, Harr & Scherer, CPAs, Inc. is committed to perform the audit of the WORKFORCE WEST VIRGINIA for the period in question in accordance with the requirements of the "Request for Proposal."

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

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

Sincerely yours,



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

AUDIT OF WORKFORCE WEST VIRGINIA'S BASIC FINANCIAL STATEMENTS

LICENSE TO PRACTICE IN WEST VIRGINIA/INDEPENDENCE/NONDISCRIMINATION

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

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

AFFIRMATIONS

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

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

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

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

EXPERTISE AND EXPERIENCE

FIRM QUALIFICATION AND EXPERIENCE

Balestra, Harr & Scherer, CPAs, Inc. is a certified public accounting firm with clients located throughout Ohio, Indiana, Kentucky, Michigan and West Virginia. Our firm was established in 1992 and has a proven history of service which serves a broad range of nonprofit, government, and private sector clients. We provide a broad range of services to our clients including auditing, accounting, management consulting, and tax preparation and planning. Our firm is registered with the American Institute of Certified Public Accountants, Ohio, Indiana, Kentucky, Michigan, and West Virginia State Accountancy Board, and the Auditor of State of Ohio - IPA Division. Our firm is classified as a Hub-zone small business in accordance with the U.S. Small Business Administration. We have four office locations in Circleville, Worthington, and Piketon, Ohio, and Huntington, WV. The location of the office from which the work on this engagement is to be performed is 528S. West St., Piketon, Ohio 45661.

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

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

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

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

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

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

ASSIGNED PARTNER QUALIFICATIONS AND EXPERIENCE

MICHAEL A. BALESTRA

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

Relevant experience

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

State and local government audit experience

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

■

Professional accomplishments, affiliations, and other

Member, Association of Government Accountants
 Member, Government Financial Officers Association
 Member, WV, KY and Ohio Society of CPAs

Member, Information Systems Audit and Control Association
 Member, American Institute of Certified Public Accountants
 Member, Association of Certified Fraud Examiners

Continuing professional education (last three years)

Course	Participant (P)/ Instructor (I)	CPE Hours	Date
Uniform Cost Reporting	P	8	01/12
The Higher Education Accounting Forum: GFOA	P	18	04/12
Ohio Professional Standards and Responsibilities	P	3	12/12
Auditing Networked Computers	P	22	11/12
GASB Statement No.44 – The New Statistical Section	P	4	02/13
Core A&A Training – CCH	P	8	03/13
GASB #34 – CCH	P	8	03/13
Workshop – CCH	P	8	03/13
Compliance Issues and How to Design Policies to Avoid Them	P	2	03/13
Annual Update for Accountants and Auditors	P	8	03/13
Fraud Red Flags in Local Government	P	4	04/13
Training – Governmental Auditing – BHS	I	8	04/13
Fraudulent Payroll Schemes and Prevention	P	2	01/14
101 st Annual GFOA Conference	P	24	03/14
Community School Training	P	6	05/14
Government Accounting and Auditing Update Training	P	9	05/14

MATT THOMAS

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

Relevant experience

WWV experience

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

State and local government audit experience

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

Professional accomplishments, affiliations, and other

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

Continuing professional education (last three years)

Course	Participant (P)/ Instructor (I)	CPE Hours	Date
Uniform Cost Reporting	P	8	01/12
The Higher Education Accounting Forum: GFOA	P	18	04/12
Ohio Professional Standards and Responsibilities	P	3	12/12
Auditing Networked Computers	P	22	11/12
GASB Statement No.44 – The New Statistical Section	P	4	02/13
Core A&A Training – CCH	P	8	03/13
GASB #34 – CCH	P	8	03/13
Workshop – CCH	P	8	03/13
Compliance Issues and How to Design Policies to Avoid Them	P	2	03/13
Annual Update for Accountants and Auditors	P	8	03/13
Fraud Red Flags in Local Government	P	4	04/13
Training – Governmental Auditing – BHS	I	8	04/13
Fraudulent Payroll Schemes and Prevention	P	2	01/14
101 st Annual GFOA Conference	P	24	03/14
Community School Training	P	6	05/14
Government Accounting and Auditing Update Training	P	9	05/14

AVAILABILITY AND EXPERIENCE OF MANAGEMENT SUPPORT PERSONNEL

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

JEFF HARR, CPA

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

PAUL RENNICK, CPA

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

BRENDEN BALESTRA, CPA, CISA, CGAP, CGEIT

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

CHRIS GLEASON, CISA

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

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

SIMILAR WV GOVERNMENT EXPERIENCE

WV EDUCATIONAL BROADCASTING AUTHORITY
WV PUBLIC BROADCASTING FOUNDATION, INC.
FRIENDS OF WV BROADCASTING, INC
WV ALCOHOL BUREAU CONTROL ADMINISTRATION
WV DEPARTMENT OF EDUCATION
WORKFORCE WEST VIRGINIA
WEST VIRGINIA PUBLIC DEFENDER SERVICES
FORT GAY, WV
WAYNE, WV
SPENCER, WV
HARTFORD, WV
NEW HAVEN, WV
WELCH, WV
KEYSER, WV
CLEARVIEW, WV
MOUNDSVILLE, WV
WEST UNION, WV
CHARLESTON CONVENTION & VISITORS BUREAU
HANCOCK COUNTY SOLID WASTE AUTHORITY
CABELL-HUNINGTON BOARD OF HEALTH
CABELL COUNTY COMMUNITY SERVICES ORGANIZATION
CABELL COUNTY SOLID WASTE AUTHORITY

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

UNDERSTANDING OF THE SCOPE OF THE WORK AND AUDIT APPROACH

We understand that the WORKFORCE WEST VIRGINIA seeks and independent CPA firm to perform an audit of the WWV's basic financial statements for the fiscal year ending June 30, 2014, with the option for auditing the subsequent two fiscal years. We understand that the WWV's basic financial statements include the following:

- Management's Discussion and Analysis
- Government Wide Financial Statements
 - Statement of Net Assets
 - Statement of Activities
- Fund Financial Statements
 - Balance Sheet – Governmental Funds
 - Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (includes reconciliation to the Statement of Net Assets)
 - Balance Sheet – Proprietary Funds
 - Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds
 - Statement of Cash Flows – Proprietary Funds
- Notes to the Financial Statements
- Required Supplementary Information – Unaudited
 - Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) –General Fund
 - Notes to Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) –General Fund
- Other Financial Information - Unaudited
 - Budgetary Comparison Schedule – Fund 3450 Administration and Service
 - Budgetary Comparison Schedule – Fund 8835 Consolidated Federal Funds
 - Budgetary Comparison Schedule – Fund 3451 Interest on Employers Delinquent Contributions Fund
 - Budgetary Comparison Schedule – Fund 8888 Workforce Investment Act

We will conduct the audit in accordance with *Government Auditing Standards* issued by the comptroller general of the United States, and subsequent revisions. Our audits of the WWV will be performed in accordance with auditing standards generally accepted in the United States of America as set forth by the American Institute of Public Accountants, the standards for financial audits set forth by *Government Auditing Standards* issued by the comptroller general of the United States, and subsequent revisions (2003), and the provisions of the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, we will perform tests of compliance using the West Virginia Code to determine the audit steps to be performed. Upon completion of the audit of the financial statements of the Workforce West Virginia we will issue the reports listed on page 21.

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

Understanding of the WORKFORCE WEST VIRGINIA

The WORKFORCE WEST VIRGINIA (Division) is a Division of the West Virginia Department of Commerce and as of June 30, 2009 consisted of four primary operating divisions: the One Stop Operations Division; The Employment Services Division; the Unemployment Compensation Division; and the Research Information and Analysis Division. The financial statements of the Division only present that portion of the West Virginia Department of Commerce and of the State of West Virginia that is attributable to the transactions of the Workforce West Virginia. The General Fund of the Division includes funds received from the United States Department of Labor for Employment Services, Unemployment Compensation and Labor Statistics. The funds allow for operating local offices throughout the State of West Virginia to serve those seeking and providing employment. The Unemployment Compensation provides temporary income as partial compensation to unemployed workers. The Division has direct responsibility for the operation of this program with oversight from the United States Department of Labor.

Audit Methodology and Approach

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

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

Technology-Enabled

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

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

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

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

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

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

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

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

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

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

Our audit methodology is founded on several key points:

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

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

Four-Phase Approach

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

Planning Phase

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

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

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

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

- Initial audit concerns
- Management concerns
- Fraud risk factors and management's response to such risk
- EDP general and application control environment

- Potential accounting and reporting issues
- Financial highlights
- Status of implementation of new GASB 34
- Any concerns not addressed in the entrance conference

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

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

All Processes

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

Cash and Investment Management Processes

- Test controls over cash and reconciliation activity

Budget Management Process

- Test controls over monthly budgetary statements
- Test a sample of appropriations and transfers approvals
- Test a sample of obligations incurred

Revenue Management Process

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

Human Resources Management Process

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

Procurement Management Process

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Directly load client files into our microcomputer systems
- Update financial analyses and benchmarking indices
- Prepare or revise internal control analyses

- Select and analyze statistical and non-statistical audit samples for use in compliance and substantive audit test
- Exchange data among our offices, using our email system
- Track audit adjustments and their effect on financial statement balances

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

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

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

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

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

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

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

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

the processing of cycle transactions and major internal controls. This information is documented our standard work papers titled, Record of Application Controls, Record of Monitoring Controls, Assessment of the Control Environment, and Record of Computer Environment Controls.

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

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

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

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

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

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

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

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

Internal Control Phase

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

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

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

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

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

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

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

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

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

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

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

We will also review the following:

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

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

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

| **Application software development and change controls.** These controls ensure that processes exist that prevent unauthorized programs or modifications to an existing program from being implemented.

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

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

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

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

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

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

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

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

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

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

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

| Transactions are properly authorized, reviewed, and processed

| Source documentation exist to support transactions and assertions

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

| Transactions are recorded in the proper accounts

| Transactions are summarized completely and properly in the financial statements

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

| Transactions are recorded in the proper budgetary accounts

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

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

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

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

The NFR document includes;

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

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

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

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

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

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

Testing Phase

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

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

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

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

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

The steps in the testing phase are summarized below.

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

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

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

Based on our analysis of the WWV's fiscal year 2013 audited financial statements, we anticipate performing the following substantive procedures at a minimum.

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

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

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

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

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

Reporting Phase

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Step 4.10 – Prepare and submit final reports. We will prepare and submit the 15 copies of the final reports to the Director of GAM. Also, an electronic copy of the report must be provide in a PDF or similar format for public review on the agency's website. We will complete the report production, binding, and delivery by the October 16th deadline.

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

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

Of

IDENTIFICATION OF ANTICIPATED AUDIT PROBLEMS

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

REPORTS TO BE ISSUED

Following the completion of each audit of the fiscal year's financial statements, we shall issue the following reports:

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

Additionally, a copy of all such reports will be given to the Executive Director of Workforce West Virginia and the Director of FAM in writing of each of the following:

1. The auditing firm's responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgments, accounting 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 and/or estimates and projections.
6. Disagreement with management.
7. Consultation with other accountants and actuaries.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

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

Management Communication

Workforce West Virginia's financial statements are to be included in the financial statements of the State of West Virginia. The auditing firm will provide special assistance to Workforce West Virginia, the State's auditors, and Financial Accounting and Reporting Section of the West Virginia Department of Administration.

PROPOSED ENGAGEMENT TIMETABLE
FOR THE AUDIT OF THE FINANCIAL STATEMENTS
OF THE WORKFORCE WEST VIRGINIA
FOR THE CONTRACT PERIOD OF JULY 1, 2013 TO JUNE 30, 2014

	Date
1. IPA and representatives of public office entrance conference	Before July 31, 2014
2. IPA provides detailed audit plan and list of schedules to be prepared by public office	August 14, 2014
3. IPA begins fieldwork at public office	August 20, 2014
4. Draft of financial statements for review	August 27, 2014
5. Revised Draft with all changes and modification for review	September 4, 2014
6. Draft submitted to FARS with copies to ED of WWV	September 15, 2014
7. Unsigned final draft with all modifications to WWV for final review	October 14, 2014
8. Final Signed Report submitted to WWV and FARS	October 20, 2014

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Cost Bid

**TOTAL ALL-INCLUSIVE MAXIMUM FEE
FOR THE AUDIT OF THE FINANCIAL STATEMENTS OF
THE WORKFORCE WEST VIRGINIA**

For the period July 1, 2013 Through June 30, 2014

Total all-inclusive fixed fee: \$ 30,000.00

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



Michael A. Balestra

Shareholder/Director

Title

July 2, 2014

Date

BALESTRA, HARR & SCHERER, CPAS, INC.

COST BID

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
TO SUPPORT THE TOTAL ALL-INCLUSIVE MAXIMUM FEE
FOR THE AUDIT OF THE FINANCIAL STATEMENTS OF
THE WORKFORCE WEST VIRGINIA**

FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014

Estimate Hours/Cost by Classification	Hours	Hourly Rate	Total Cost
Engagement Partner	36	\$150.00	\$ 5,400.00
Audit Manager	80	\$110.00	\$ 8,800.00
Audit Supervisor	80	\$ 90.00	\$ 7,200.00
Staff Auditor	80	\$ 75.00	\$ 6,000.00
IT Auditor	16	\$125.00	\$ 2,000.00
Other Support/Clerical	8	\$ 75.00	\$ 600.00
Total Fixed Fee Bid for Fiscal Year 2014	300		\$ 30,000.00

**HOURLY COST QUOTE FOR ADDITIONAL ACCOUNTING AND AUDITING
SERVICES**

Cost by Classification	Hourly Rate
Engagement Partner	\$150.00
Audit Manager	\$110.00
Audit Supervisor	\$ 90.00
Staff Auditor	\$ 75.00
IT Auditor	\$125.00
Other Support/Clerical	\$ 75.00

NOTE: ALL HOURLY RATES INCLUDE TRAVEL AND OUT-OF-POCKET EXPENSES.



THE OHIO SOCIETY OF CPAs
PEER REVIEW PROGRAM



AICPA Peer Review Program
Administered in Ohio by The Ohio Society of CPAs

December 16, 2011

Jeffrey A Harr, CPA
Balestra, Harr & Scherer, CPAs, Inc.
129 Pinckney St
Circleville, OH 43113

Dear Mr. Harr:

It is my pleasure to notify you that on December 16, 2011 the Ohio Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is November 30, 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,

John M Keller, CPA

John M. Keller, CPA
Chairman, Peer Review Committee
peerreview@ohio-cpa.com

cc: Lori Dearfield, CPA

Firm Number: 10081709 Review Number 320094

Letter ID652826

THE OHIO SOCIETY OF CPAs
535 Metro Place South, P.O. Box 1810, Dublin, Ohio 43017-7810
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Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

- 1200 CORPORATE COURT • P.O. BOX 990 • ASHLAND, KENTUCKY 41105-0990 •
- Phone (606) 329-1811 • Fax (606) 329-8756 • E-mail contact@kelleygalloway.com • Web site www.kelleygalloway.com •

Member of the Center for Public Company Audit Firms, the Private Companies Practice Section of the American Institute of Certified Public Accountants and the PwC North America Network

SYSTEM REVIEW REPORT

November 15, 2011

To the Shareholders of
Balestra, Harr & Scherer, CPAs, Inc.
and the Peer Review Committee of the Ohio Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of Balestra, Harr & Scherer, CPAs, Inc. (the firm) in effect for the year ended May 31, 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.

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

In our opinion, the system of quality control for the accounting and auditing practice of Balestra, Harr & Scherer, CPAs, Inc. in effect for the year ended May 31, 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*. Balestra, Harr & Scherer, CPAs, Inc. has received a peer review rating of *pass*.

Kelley, Galloway & Company, PSC

Kelley, Galloway & Company, PSC



SAIL SMOOTHLY THROUGH YOUR AUDIT

FINANCIAL STATEMENT PREPARATION

CAFR PREPARATION

FINANCIAL STATEMENT AND SINGLE AUDITS

REPORTING ON INTERNAL CONTROLS

GRANT AND CONTRACT AUDITS



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Guided by our core values of competence, integrity, respect and value, Balestra, Harr & Scherer, CPAs, Inc. operates with the fundamental philosophy that every client deserves exceptional, timely service from our highly specialized, knowledgeable professionals.

Circleville

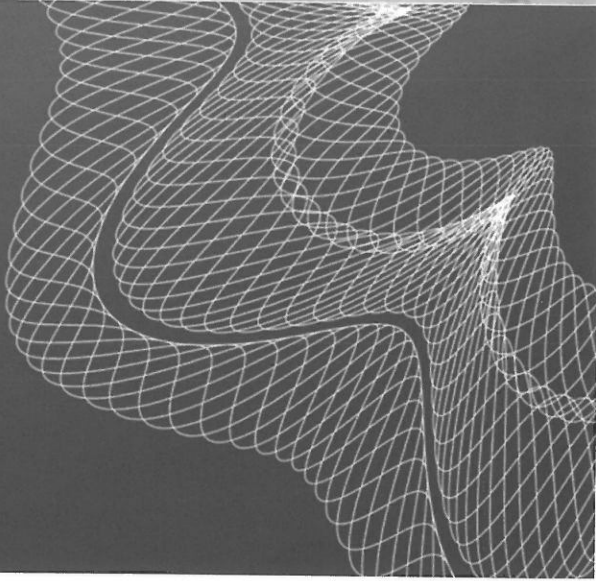
Ironton

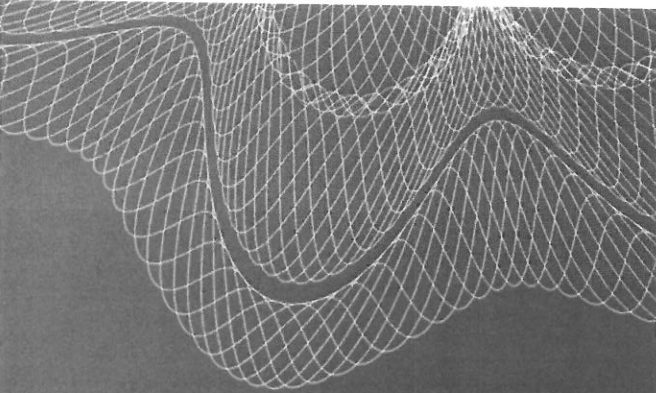
Piketon

Wheelersburg

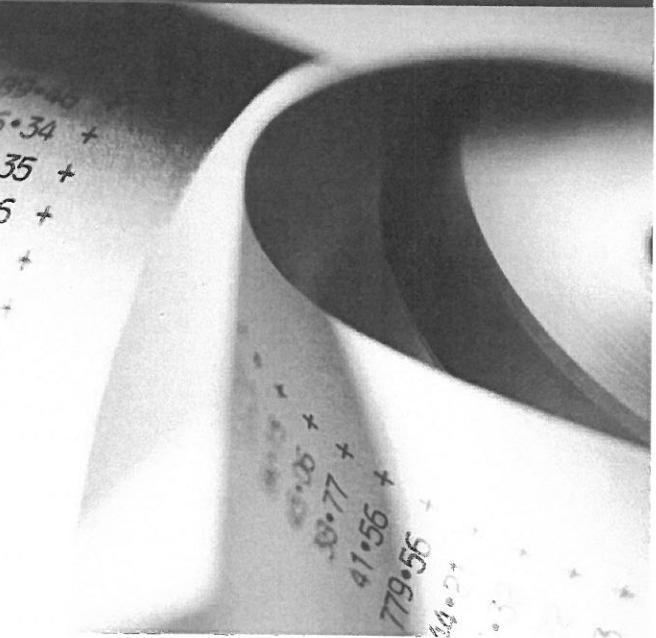
Worthington

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FOR MORE THAN 20 YEARS, BALESTRA, HARR & SCHERER, CPAS, INC. HAS BEEN PROVIDING HIGH QUALITY AUDIT, CONSULTING AND ASSURANCE SERVICES TO FEDERAL, STATES, SCHOOL DISTRICTS, COUNTIES, GOVERNMENT AGENCIES, AND OTHER LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS.



GOVERNMENT SERVICE PLANS INCLUDE:

- BASIC FINANCIAL STATEMENT PREPARATION
- CAFR PREPARATION
- PAYROLL AND BOOKKEEPING
- MONTHLY ACCOUNTING & CLOSEOUT REVIEW
- FINANCIAL STATEMENT & SINGLE AUDIT
- GRANT AND CONTRACT SERVICES
- FINANCIAL PROJECTIONS & BUDGETING SERVICES

ABOUT OUR FIRM:

Balestra, Harr & Scherer, CPAs, Inc. is an independent CPA firm dedicated to providing high quality audit, consulting and assurance services. Our firm has built a foundation of strong principles and the fundamental philosophy that our clients deserve premier caliber service. BHS has an outstanding record of timeliness and quality with the governments we have served over the past 20 years. BHS is a member of the AICPA's Government Audit Quality Center.

GOVERNMENT SERVICE STAFF EXPERIENCE:

MIKE BALESTRA, CPA – Mike has a total of 33 years' experience serving local governments. This experience includes 15 years with the State Auditor's Office in Ohio and 18 Years as co-founder and partner of BHS.

PAUL RENNICK, CPA – Paul has a total of 33 years' experience serving local governments. This experience includes the Auditor of State of Ohio, national CPA firm, and BHS Government Quality Director.

BRENDEN D. BALESTRA, CPA – Brenden has worked for 18 years exclusively with BHS and serves the company as its Director of Government Audits.

Please contact us at 740-289-4131.

WHY CHOOSE BHS?

We know as well as anyone that there are a lot of accounting providers to choose from. When choosing your accounting firm, look to the company with a dedicated government practice and years of experience. BHS will stand apart and provide a clear choice advantage.

FIRM EXPERIENCE:

BHS's Government Services Division offers a full range of services to every level of government, its agencies and grant recipients. Our expertise encompasses regulatory compliance requirements such as financial and performance audits, accounting and other financial management services. These services are provided by knowledgeable professionals

with a deep understanding of government agencies and municipalities. Our Government Services Partner and Directors have a combined 85 years of experience working exclusively

with state and local governments and non-profit organizations. Our experienced professionals have served over 400 federal, state and local governments throughout the United States. Serving a wide variety of federal and state governments and their agencies, we are ready to hit the ground running. Our Government Services Division delivers value through the application of industry best practices gained from our extensive government experience.

WE GUARANTEE WE HAVE THE EXPERIENCE AND
QUALIFICATIONS TO MEET YOUR LOCAL GOVERNMENT AND
NON-PROFIT FINANCIAL SERVICES NEEDS.



Balestra, Harr & Scherer, CPAs, Inc.