



The following documentation is an electronically-submitted vendor response to an advertised solicitation from the *West Virginia Purchasing Bulletin* within the Vendor Self-Service portal at *wvOASIS.gov*. As part of the State of West Virginia's procurement process, and to maintain the transparency of the bid-opening process, this documentation submitted online is publicly posted by the West Virginia Purchasing Division at *WVPurchasing.gov* with any other vendor responses to this solicitation submitted to the Purchasing Division in hard copy format.

Header 2

 List View

General Information

Contact

Default Values

Discount

Document Information

Procurement Folder: 565836

Procurement Type: Central Contract - Fixed Amt

Vendor ID: 

Legal Name: SUTTLE & STALNAKER PLLC

Alias/DBA:

Total Bid: \$123,000.00

Response Date: Response Time:

SO Doc Code: CRFQ

SO Dept: 0705

SO Doc ID: LOT1900000004

Published Date: 4/4/19

Close Date: 4/17/19

Close Time: 13:30

Status: Closed

Solicitation Description: 

Total of Header Attachments: 2

Total of All Attachments: 2



Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

State of West Virginia
 Solicitation Response

Proc Folder : 565836
 Solicitation Description : RFQ FOR ANNUAL AUDIT SERVICE
 Proc Type : Central Contract - Fixed Amt

| Date issued | Solicitation Closes | Solicitation Response | Version |
|-------------|------------------------|------------------------------|---------|
| | 2019-04-17 13:30:00 | SR 0705 ESR04171900000004792 | 1 |

| VENDOR |
|---|
| 000000202390 SUTTLE & STALNAKER PLLC |

Solicitation Number: CRFQ 0705 LOT1900000004

Total Bid : \$123,000.00 Response Date: 2019-04-17 Response Time: 12:59:02

Comments:

FOR INFORMATION CONTACT THE BUYER
 Brittany E Ingraham
 (304) 558-2157
 brittany.e.ingraham@wv.gov

| | | |
|-------------------|--------|------|
| Signature on File | FEIN # | DATE |
|-------------------|--------|------|

All offers subject to all terms and conditions contained in this solicitation

| Line | Comm Ln Desc | Qty | Unit Issue | Unit Price | Ln Total Or Contract Amount |
|------|----------------------|-----|------------|------------|-----------------------------|
| 1 | ANNUAL AUDIT SERVICE | | | | \$123,000.00 |

| Comm Code | Manufacturer | Specification | Model # |
|-----------|--------------|---------------|---------|
| 84111600 | | | |

Extended Description : PLEASE SEE EXHIBIT A PRICING PAGE.
 CERTIFIED PUBLIC ACCOUNTING FIRM TO PROVIDE ANNUAL AUDIT SERVICES FOR FISCAL YEAR ENDING JUNE 30, 2019, FOR THE WV LOTTERY LOCATED AT 900 PENNSYLVANIA AVENUE, CHARLESTON, WV 25302 PER THE ATTACHED.

COMMITMENT TO SERVE
WEST VIRGINIA LOTTERY

WEST VIRGINIA LOTTERY
Auditing Services

Response to Request for Quotation
CRFQ 0705 LOT1900000004

Suttle & Stalnaker, PLLC
The Virginia Center, Suite 100
1411 Virginia Street East
Charleston, West Virginia 25301
(304) 343-4126
(800) 788-3844

Contact Person:



Chris Lambert, CPA, CGMA, CCIFP, Member

April 17, 2019

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TRANSMITTAL LETTER



April 17, 2019

West Virginia Lottery
900 Pennsylvania Avenue
P.O. Box 2067
Charleston, West Virginia 25327

Suttle & Stalnaker, PLLC welcomes this opportunity to submit our proposal to serve as independent Certified Public Accountants to perform the annual audit of the financial statements of the West Virginia Lottery (Lottery) for the year ended June 30, 2019, with an option to renew for an additional two years. We are particularly well suited to serve you since we have previously performed the audit of the Lottery's annual financial statements, including assisting the Lottery with 3 previous submissions of its Certificate of Achievement for Excellence in Financial Reporting award winning Comprehensive Annual Financial Reports to the Government Finance Officers Association. Our experience is especially strong in working with West Virginia State government, governmentally funded organizations, including serving as West Virginia Lottery drawing accountants and as consultant for the review of financial information submitted by video lottery licensees in addition to previously auditing the Lottery's financial statements.

We understand your interest in competent and efficient audit services. We have assigned as your client service team a dedicated group of professionals who have effectively audited the West Virginia Lottery in the past and have developed effective client service plans for various businesses, governmental entities and not-for-profit organizations. From our experiences with auditing the Lottery and State government, we know many of the issues that are important to your management team and what is critical to keeping our clients pleased with our service delivery. Your engagement member will be Chris Lambert. Chris has served the West Virginia Lottery for many years, including service as the video lottery consultant for evaluating video lottery licensees and for nightly drawings. He also audits several other state agencies.

The West Virginia Lottery will be a highly valued client and will benefit from many aspects of our program. We believe it is our professional understanding of West Virginia State government and Lottery operations, the client service team that we have assembled to serve you and the cost effective total client service plan we have developed that distinguishes Suttle & Stalnaker, PLLC from the competition.

We will serve the West Virginia Lottery in a dedicated manner and you will be a priority client of our office. We would appreciate the opportunity to meet personally with you to further discuss this written proposal. We possess all of the technical and professional qualifications to serve you in the most effective manner. Please feel free to contact Chris Lambert or Horace Emery in respect to any questions you may have concerning this proposal. This proposal is a firm and irrevocable offer for ninety (90) days.

Very truly yours,

Suttle & Stalnaker, PLLC

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, WV 25301
Phone (304) 343-4126 or 1(800) 788-3844 • Fax (304) 343-8008
Wharf District • 68 Clay Street • Suite C • Morgantown, WV 26501
Phone (304) 554-3371 • Fax (304) 554-3410
Towne Square • 201 Third Street • PO Box 149 • Parkersburg, WV 26102
Phone (304) 485-6584 • Fax (304) 485-0971
www.suttlecpas.com • E-mail: cpa@suttlecpas.com
A Professional Limited Liability Company

QUALIFICATIONS PER SPECIFICATIONS
SECTION 3 OF THE RFQ

3. **QUALIFICATIONS:** *Vendor shall have the following minimum qualifications:*

- 3.1. *The Vendor must have a minimum of six (6) CPA's in the firm. The Vendor shall certify that it has read and understand the statutory provisions governing the operation of gaming in WV and shall be conversant concerning those statutes while engaged in the audit. IF the successful Vendor substitutes staff for the account, at any time during the term of the contract or potential renewal or extension years, the experience and qualifications levels must be of a similar quality to the level of those initially proposed. The Lottery reserves the right to request staff changes throughout the term of the contract.*

Vendor response:

FIRM QUALIFICATIONS

Suttle & Stalnaker, PLLC, Certified Public Accountants, currently consists of the following personnel: members/partners - 14, managers, seniors and staff accountants - 51, support staff - 14. **We have 36 accounting professionals on staff that hold a CPA certificate in West Virginia.** Currently, there are approximately 12 individuals in our governmental audit staff. We anticipate 4 to 5 full-time personnel assigned to the engagement.

Suttle & Stalnaker, PLLC, and/or your designated engagement team members, have served the West Virginia Lottery in various capacities from the inception of the West Virginia Lottery through the present. Therefore, we have read and understand the statutory provisions governing the operation of gaming in West Virginia

- 3.2. *Compliance with experience requirements will be determined prior to contract award by the State through references provided by the Vendor with its bid or upon request. Vendor should provide a current resume which includes information regarding the number of years of qualification, experience and training, and relevant professional education for each individual that will be assigned to this project. Vendor must provide any documentation requested by the State to assist in confirmation of compliance with this provision. References, documentation, or other information to confirm compliance with the experience requirement are preferred with bid submission but may be requested after bid opening and prior to contract award.*
- 3.3 *The Lottery has the right to refuse the services of any on-site employee of the successful Vendor based on the employee's competence or criminal background. All management, supervisory, and key personnel who will be active in the audit shall be subject to initial and periodic background checks using the Lottery's electronic fingerprint capture system. An individual shall be removed from supporting the contract as an outcome of adverse results from the background checks. The Lottery will only refuse the services of an individual if that individual has a conviction for any violation of W. Va. Code §29-22-1et seq., §29-22A-1 et seq., §29-22B-1et seq., §29- 22C-1 et seq., or §29-25 -1 et seq. (Code sections available at <http://www.wvlottery.com/about-us/rules-regulations>), or for any felony, or any crime involving moral turpitude, or any other crime that may have bearing upon the individual's fitness to support the contract.*
- 3.4 *The successful Vendor shall have access to Agency's private and confidential data maintained by Lottery to the extent required to carry out the duties and responsibilities defined in this RFQ. The successful Vendor agrees to maintain confidentiality and security of the data made available.*
- 3.5 *An affirmative statement must be submitted indicating that the firm and all assigned key professional staff are properly licensed to practice in West Virginia. It is preferred that this is provided with the bid, however, will be requested prior to award.*

Vendor response:**FIRM EXPERIENCE**

Suttle & Stalnaker, PLLC has been in business since 1973 and has performed governmental audits for over 45 years. Suttle & Stalnaker, PLLC has previously performed the audit of the West Virginia Lottery's financial statements for three years including assistance with preparation and review of the Lottery's Comprehensive Annual Financial Report (CAFR) for each year, which were submitted to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting Program. Our review included the completion of available GFOA relevant reporting checklists. The Lottery's CAFR's received this prestigious award for all three years.

In addition to performing financial statement audits of the West Virginia Lottery, Suttle & Stalnaker, PLLC performed the initial reviews of video lottery licensees and vendors, helping to establish the process and procedures that are still used today.

Suttle & Stalnaker, PLLC has also served as the drawing witness for nightly drawings for numerous years during the time period from 1990 - Present. During that time, drawing procedures were revised and improved several times, often as a result of observations by our personnel. As a result of our observations, the Lottery was kept informed of various matters that arose during the drawings that were beyond the minimum requirements for reporting by the drawing accountant.

All of the Suttle & Stalnaker, PLLC engagement team professionals have experience with the West Virginia Lottery, including prior financial statement audits, drawing observation accountants and/or video lottery/table games vendor analyses. Following is a summary of the engagement team's Lottery/gaming experience.

OUR GOVERNMENT AND NONPROFIT PRACTICE

Suttle & Stalnaker, PLLC has specialized in governmental and nonprofit agency auditing and accounting for over 45 years. This segment currently makes up the largest industry concentration of our audit practice, with our professional staff spending well over 20,000 hours per year on audits of governmental and nonprofit entities and programs. Virtually all of the governmental audits are for financial statements prepared in accordance with accounting standards promulgated by the Governmental Accounting Standards Board (GASB). Virtually every member of our audit staff has both training and experience in governmental and nonprofit accounting and auditing.

The State of West Virginia and its departments, divisions, and component units are the cornerstone of our government practice. Through a joint venture, we participate in the audit of the State of West Virginia's financial statements, and perform extensive work related to the requirements of the Single Audit Act and Office of Management and Budget's Uniform Guidance and/or Circular A-133. In addition, Suttle & Stalnaker, PLLC personnel provided assistance with the State's GAAP conversion project and initial Comprehensive Annual Financial Report. Our Firm has served numerous other governmentally and nonprofit funded clients and similar entities requiring audits in accordance with *Government Auditing Standards*, developing a strong reputation for providing quality services in the West Virginia market. This preeminence in governmental and nonprofit services is not the result of casual experience acquired through an on-going accounting practice. Rather, it results from the commitment of our Firm to the highest standards of service in the governmental and nonprofit sector.

GFOA CERTIFICATE OF EXCELLENCE EXPERIENCE

Only a few entities in West Virginia have applied for and obtained a GFOA Certificate of Excellence in Financial Reporting. We have worked with the West Virginia Parkways Authority, West Virginia Division of Highways, the West Virginia Consolidated Public Retirement Board and the West Virginia Lottery, all of whom successfully obtained the GFOA Certificate of Excellence. In addition, the State of West Virginia, our client through joint ventures with Ernst & Young, LLP and Deloitte & Touche, LLP, obtained the GFOA Certificate of Excellence. In addition, Chris Dewese of our firm has served as a GFOA reviewer in the GFOA Certificate of Excellence program. As stated in the Suttle & Stalnaker, PLLC mission statement, we are continually striving to “provide world class professional services to quality clients by utilizing a team of dynamic individuals and advanced technology to achieve success for our clients and ourselves.” If the OIC wishes to pursue a GFOA Certificate of Excellence in Financial Reporting, we will be pleased to assist.

CLIENTS SERVED

The following list illustrates Suttle & Stalnaker, PLLC’s experience and diversity in serving governmental clients and similar entities:

- West Virginia Lottery - Drawing Auditors
- West Virginia Lottery - Consultant regarding review of Video Lottery Licensees
- West Virginia Lottery - Financial Statements Audit
- West Virginia Consolidated Public Retirement Board
- West Virginia Offices of the Insurance Commissioner
- West Virginia Workers’ Compensation Division
- WORKFORCE West Virginia
- West Virginia Bureau of Employment Programs
- Division of Workers’ Compensation - Employer Field Audits
- West Virginia Division of Highways
- West Virginia Parkways Authority
- West Virginia Racing Commission
- West Virginia Regional Jail Authority
- Single Audit of State of West Virginia, including the following:
 - Bureau of Employment Programs
 - Unemployment Insurance Programs
 - Employment Services
 - JTPA Programs
 - WIA Programs
 - West Virginia Development Office
 - Community Development Block Grant Program
 - Department of Health and Human Resources
 - Temporary Assistance for Needy Families
 - Social Services Block Grant
 - Low Income Housing and Emergency Assistance
 - Women’s, Infant’s and Children’s
 - Foster Care - Title IV
 - Child Care Development Fund
 - Substance Abuse
 - Child Support Enforcement
 - Medicaid
 - Food Stamp Cluster

- Department of Education
 - Child Nutrition Cluster
 - Office of Special Education
 - Vocational Education
 - Title I - Grants to Local Education Agencies
- Division of Environmental Protection
 - Office of Abandoned Mine Lands
 - Office of Surface Mining
 - Capitalization Grants for State Revolving Loan Funds
- West Virginia Water Pollution Control Revolving Fund
- Systems and Controls Consulting for West Virginia Treasurer's Office
- West Virginia Public Employees Insurance Agency
- Southern West Virginia Community & Technical College
- New River Community & Technical College
- Pierpont Community & Technical College
- Fairmont State College
- West Virginia School of Osteopathic Medicine

REFERENCES

The following references are provided for your convenience.

Melinda Kiss
 West Virginia Offices of the Insurance Commissioner
 1124 Smith Street
 Charleston, WV 25305-0540
 304-558-3029 ext 1205

Dr. Ed Magee
 West Virginia Higher Education Policy Commission
 1018 Kanawha Boulevard, Suite 700
 Charleston, WV 25301
 304-558-0281 ext. 274

Parrish French
 West Virginia Parkways Authority
 3310 Piedmont Road
 Charleston, WV 25306-6633
 304-926-1900

Joe Moore
 West Virginia Racing Commission
 900 Pennsylvania Avenue #533
 Charleston, WV 25302
 304-558-2150

PERSONNEL QUALIFICATIONS AND EXPERIENCE

We firmly believe that the true quality of service can be linked directly to competent people dedicated to excellence. The professionals selected to serve the Lottery all have extensive governmental experience and prior Lottery experience. We will provide for an organizational structure that ensures ongoing and knowledgeable supervision by management already familiar with the Lottery to ensure maximum efficiency.

We understand that the Agency has the right to refuse the services of any on-site employee of the successful bidder based on the employee's competence or criminal background. All management, supervisory, and key personnel who will be active in the audit shall be subject to initial and periodic background checks using the Agency's electronic fingerprint capture system. An individual shall be removed from supporting the contract as an outcome of adverse results from the background checks. In the case of a criminal background refusal, the basis for refusal shall be a conviction of any felony or any crime related to theft, gambling, or involving moral turpitude.

We also understand the sensitive nature of the private and confidential data maintained by the West Virginia Lottery and agree to maintain confidentiality and security of the data made available during the course of our engagement.

The following is a summary of the individuals who will have responsibility to ensure that our services meet your requirements. Following the summary are the complete resumes for each individual. **Suttle & Stalnaker, PLLC and all key professional staff are properly licensed to practice in West Virginia. In addition, most of the Suttle & Stalnaker, PLLC personnel assigned to this engagement have already previously passed the Lottery security checks**

Chris Lambert, CPA, CGMA, CCIFP

Chris Lambert, Audit Member with over 10 years of West Virginia Lottery experience. He has served the West Virginia Lottery as a consultant for evaluating financial information submitted by video lottery licensees. Chris is also the engagement member for witnessing drawings.

Horace Emery, CPA

Horace Emery, Engagement Member, has served the West Virginia Lottery for over ten years, including serving as engagement partner for the firm's previous audits of the West Virginia Lottery financial statements. He has also served the West Virginia Lottery as a consultant for evaluating financial information submitted by video lottery licensees. He previously served the Lottery as engagement manager for the initial annual audits of the West Virginia Lottery's financial statements and for witnessing drawings and prize events while with another accounting Firm. In that capacity, Horace was directly responsible for supervising the individuals performing the various assignments. In addition to being the first drawing witness for the West Virginia Lottery, Horace developed the work program utilized in the initial drawings and prize events, and helped develop the format for reporting the results of the drawing observations to the Lottery.

Chris Deweese, CPA, CGMA

Chris Deweese, Audit Member, has served as supervisor on past engagements, as well as observations of nightly drawings. His current role as Suttle & Stalnaker, PLLC engagement member on the State of West Virginia Single Audit will provide the engagement team with a valuable insight into current statewide issues. He also audits numerous other State of West Virginia agencies and **is a GFOA reviewer for their Certificate of Excellence in Financial Reporting program.**

Natalie Luppold, CPA, CISA, CITP

Natalie Luppold, Senior Audit Manager, has observed nightly drawings. She has experience in reviewing internal controls related to diverse information systems.

Marie Long, CPA

Marie Long, Senior Audit Manager, has observed nightly drawings. In addition she serves as a manager on the State of West Virginia Single Audit and several other governmental agencies.

Additional staff will be assigned as necessary. Any professional accounting staff will have at least a college degree from an accredited four-year college and be a true employee. Suttle & Stalnaker, PLLC continually strives to hire the best personnel available to serve our clients. As outlined in the Quality Control Section of this proposal, we are committed to this effort in order to provide our clients with the high quality service they deserve

CHRIS S. LAMBERT, CPA, CGMA, CCIFP
Audit Member

Engagement Responsibilities

Chris will be the coordinating and engagement member responsible for audit services. He will have overall responsibility for engagement activities and deliverables. Chris will work closely with management to coordinate and execute the engagement.

Experience

In addition to serving the Lottery as its consultant for evaluating video lottery licensees, and for nightly drawings, Chris has been engagement partner for several state agencies. Chris has over 25 years of public accounting experience. He has extensive consulting and audit experience. His client service experience includes wholesale, pension, nonprofit and governmental entities. He also has experience in accounting systems, internal audit assistance, financial reporting consultation, audit preparation consulting, internal control systems, and operational improvement reviews. Chris has served as an auditor for the following clients:

- West Virginia Parkways Authority including CAFR Submission
- West Virginia Lottery
- West Virginia Division of Highways including CAFR Submission
- West Virginia Regional Jail Authority
- West Virginia Racing Commission
- West Virginia Regional Technology Park
- West Virginia Consolidated Public Retirement Board
- West Virginia Municipal Pension Oversight Board
- State of West Virginia, Single Audit
- West Virginia Public Defender Corporations – 17 Judicial Circuits
- Cabell County Commission
- Kanawha County Commission
- City of Charleston including CAFR Submission
- BCKP Regional Intergovernmental Council
- City of Parkersburg
- Randolph County Commission

Education

Chris graduated with a Bachelor's degree with a major in accounting from Marshall University. He is a certified public accountant having received certificate number [REDACTED] from the State of West Virginia. He has also achieved the designation of Chartered Global Management Accountant. In April 2018, Chris obtained the Certified Financial Industry Professional (CCIFP) certification. This certification is obtained through the Institute of Certified Construction Industry Financial Professionals.

Professional Activities

Chris is a member of the American Institute of Certified Public Accountants (AICPA), West Virginia Society of Certified Public Accountants (WVSCPA), Association of Governmental Accounts (AGA), the Charleston Chapter of AGA, and the Charleston Chapter of the WVSCPA. Chris also serves on several nonprofit boards in the community.

CHRIS S. LAMBERT (Continued)Continuing Professional Education

| SPONSOR | DATE | DESCRIPTION | HOURS |
|------------------------------------|------------------|--|--------------|
| 2016 | | | |
| WV Society of CPAs | 01/25/2016 | Legislative Seminar and Reception | 4.5 |
| Suttle & Stalnakner, PLLC | 02/04/2016 | ASU Revenue Recognition & Standards Update | 2 |
| Suttle & Stalnakner, PLLC | 02/09/2016 | Growth Culture Essentials | 3 |
| Suttle & Stalnakner, PLLC | 02/02/2016 | ProSystem fx Scans Fundamentals | 2 |
| AICPA | 03/08/2016 | Understanding the New Leases Standard | 1 |
| AICPA | 04/20/2016 | EBP Audit Quality and Firm Best Practices | 2 |
| Suttle & Stalnakner, PLLC | 04/19/2016 | GAQC Update presented by the AICPA | 2 |
| Suttle & Stalnakner, PLLC | 04/25/2016 | EBPAQC 2016 Managers & Supervisors Audit Planning | 2 |
| AICPA | 05/05/2016 | Designated Partner Planning Webinar 2016 | 2 |
| Suttle & Stalnakner, PLLC | 05/03/2016 | Business Combinations Refresher by Mind the GAAP, LLC | 1 |
| Suttle & Stalnakner, PLLC | 05/23/2016 | Ethics - Lunch and Learn | 2 |
| Suttle & Stalnakner, PLLC | 06/20/2016 | Quality Control & Independence in an SEC, DOL and Governmental Environment | 1 |
| Suttle & Stalnakner, PLLC | 06/02/2016 | Introduction to Fiduciary Taxation | 2.5 |
| State of WV, DOE, FARS | 07/21/2016 | 2016 GAAP Uniform Guidance Training | 6 |
| CAMICO | 07/28/2016 | Loss Prevention In-Firm Presentation "Professional Liability Exposures and Remedies" | 1 |
| AICPA | 08/30/2016 | Construction Contracts Advanced Issues: Nature and Significance of the Construction Industry; and Strategic Planning for the Construction Contractor | 1 |
| AICPA | 08/30/2016 | Construction Contracts Advanced Issues: Internal Controls for the Contractor | 1 |
| Suttle & Stalnakner, PLLC | 08/18/2016 | FASB & GASB Standards Update for 2016 | 1 |
| AICPA | 08/30/2016 | Construction Contracts Advanced Issues: Fraud and the Contractor | 0.5 |
| JPMorgan Chase & Co. | 11/10/2016 | Payments Fraud - From Paper to Electronic: Fraudsters Follow the Money | 1 |
| Suttle & Stalnakner, PLLC | 12/28/2016 | Internal Control, COSO, Green Book, and more | 2 |
| AICPA | 12/8-9/2016 | Construction and Real Estate Conference | 5.5 |
| AICPA | 12/8-9/2016 | Construction and Real Estate Conference | 10.5 |
| AICPA | 12/8-9/2016 | Construction and Real Estate Conference | 1 |
| AICPA | 12/8-9/2016 | Construction and Real Estate Conference | 1 |
| Suttle & Stalnakner, PLLC | 12/19/2016 | 2016 S&S Tax Update | 7 |
| Suttle & Stalnakner, PLLC | 12/27/2016 | Avoiding Common Deficiencies in Single Audit and The New Data Collection Form | 4.5 |
| | | | 70 |
| 2017 | | | |
| Suttle & Stalnakner, PLLC | 01/10/2017 | Proposals Revisited: Content Creation and Customization | 1 |
| WV Society of CPAs | 02/27/2017 | Legislative Seminar and Reception | 4.5 |
| Charleston Chapter of the WVSCPA's | 05/16/2017 | Reflections on a Half-Century in the Accounting Profession and a Look Ahead | 1 |
| Suttle & Stalnakner, PLLC | 06/13/2017 | Overview of Pension Recent Developments | 1 |
| State of WV - FARS | 06/23/2017 | FARS Closing Book Training | 2 |
| AuditWatch | 06/22/2017 | Effective and Efficient Procedures for Not-for-Profit and Governmental Entities | 8 |
| Suttle & Stalnakner, PLLC | 08/07/2017 | Revenue Recognition Mastering the New FASB Requirements | 8 |
| Suttle & Stalnakner, PLLC | 08/03/2017 | Mandatory EBPAQC Designated Partners 2017 Audit Planning Rebroadcast | 2 |
| WV Society of CPAs | 08/30-09/01/2017 | 2017 WB Chamber of Commerce Annual Meeting & Business Summit | 3.5 |
| Charleston Chapter of the WVSCPA's | 09/06/2017 | Department of Revenue | 1 |
| Suttle & Stalnakner, PLLC | 10/24/2017 | Standard Settings Update | 1 |
| Charleston Chapter of the WVSCPA's | 11/15/2017 | WV Oil & Natural Gas Association | 1 |
| AICPA | 12/07-08/2017 | Construction and Real Estate Conference 2017 | 1 |
| AICPA | 12/07-08/2017 | Construction and Real Estate Conference 2017 | 8 |
| Suttle & Stalnakner, PLLC | 12/08/2017 | Independence Standards, AICPA, SEC & Attest Engagements | 1 |
| Suttle & Stalnakner, PLLC | 12/21/2017 | 2017 Federal Tax Update: Tax Reform - The Elephant in the Room | 8 |
| | | | 52 |

CHRIS S. LAMBERT (Continued)**2018**

| | | | |
|---|---------------|--|-----|
| Suttle & Stalnaker, PLLC | 01/09/2018 | Growth Culture | 1.5 |
| Suttle & Stalnaker, PLLC | 01/18/2018 | Uniform Guidance Year 3: A Deeper Dive Into Challenging Audit Areas | 2.5 |
| Suttle & Stalnaker, PLLC | 01/04/2018 | Preparation Engagements and Peer Review Updates | 1 |
| AICPA | 01/12/2018 | Multiple Employer Plan Audits | 1 |
| Suttle & Stalnaker, PLLC | 01/04/2018 | Preparation Engagements and Peer Review Updates | 1 |
| Suttle & Stalnaker, PLLC | 04/24/2018 | 2018 Mandatory EBPAQC Designated Partner Audit Planning Webinar by AICPA | 2 |
| Suttle & Stalnaker, PLLC | 05/07/2018 | Multiemployer Plan Payroll Audits | 1 |
| Suttle & Stalnaker, PLLC | 05/03/2018 | Checkpoint Research | 1 |
| State of West Virginia - Dept. of Administration - FARS | 06/14/2018 | FARS Closing Book Training | 2 |
| CAMICO | 06/18/2018 | Loss Prevention In-Firm Presentation, Accounting Ethics: A Risk Management Perspective | 2 |
| Suttle & Stalnaker, PLLC | 07/10/2018 | Advanced Topics in a Single Audit | 6.5 |
| WV Society of CPAs | 08/29-31/2018 | 2018 WV Chamber of Commerce Annual Meeting & Business Summit | 8 |
| Suttle & Stalnaker, PLLC | 10/16/2018 | The New Section 199A Deduction | 3 |
| Suttle & Stalnaker, PLLC | 11/08-09/2018 | 2018 Tax Update | 16 |
| Suttle & Stalnaker, PLLC | 11/12/2018 | Not-for-Profit Accounting and Auditing Update | 8 |
| Surgent McCoy CPE, LLC | 12/10/2018 | Accounting & Auditing Update (ACAU) | 8 |
| WVSCPAs Charleston Chapter | 12/05/2018 | President WVSCPAs | 1 |

65.5**Grand Total 187.5**

HORACE W. EMERY, CPA
Audit Member

Firm Responsibilities

Horace Emery will serve as overall client coordination member for the 2019 audit. He will be responsible for the second member review, and will act as a direct liaison between Suttle & Stalnaker, PLLC and your personnel during the engagement and throughout the year. He has also served as engagement member for the audits of the West Virginia Offices of the Insurance Commissioner, the West Virginia Division of Highways, the West Virginia Public Employees Insurance Agency, the West Virginia Workers' Compensation Division, and the West Virginia Bureau of Employment Programs. He has over 40 years experience in auditing with approximately 30 years experience auditing governmental entities and programs.

Experience

He has had over 40 years of diversified experience in public accounting with the firms of Suttle & Stalnaker, PLLC and Peat, Marwick, Main & Co. His extensive experience includes audits of nonprofit, governmental and healthcare entities as well as audits of retail wholesale, and manufacturing companies; reviews of accounting systems; and reviews of internal controls.

He has served as the engagement partner or independent partner during the past several years for numerous clients, including the following:

- West Virginia Lottery
- West Virginia Offices of the Insurance Commissioner
- West Virginia Workers' Compensation Division
- West Virginia Bureau of Employment Programs
- West Virginia Division of Highways
- West Virginia Department of Transportation
- West Virginia PEIA - Financial and Compliance Audit
- West Virginia PEIA - Plan Document Compliance Review
- Minnesota Lottery
- State of West Virginia - Single Audit
- Appalachian Community Health Center, Inc.
- West Virginia Department of Education - Agreed-upon Procedures
- State of West Virginia - Internal control project for the State Treasurer's Office
- Boone County Board of Education
- Kanawha County Board of Education
- Pendleton County Board of Education
- Tyler County Board of Education
- Gilmer County Board of Education
- Doddridge County Board of Education
- Roane County Board of Education
- State of West Virginia School Building Authority
- BCKP Regional Intergovernmental Council

Horace has assisted with the following CAFR submissions:

- West Virginia Lottery - assisted with **three** CAFR submissions
- West Virginia Division of Highways - **six** CAFR submissions
- State of West Virginia - assisted with their first CAFR submission and numerous since
- West Virginia Public Employees Insurance Agency - **two** CAFR submissions

HORACE W. EMERY (Continued)Education

Horace graduated from West Virginia University with a master's of business administration degree with an emphasis in accounting, and from Oberlin College with a Bachelor of Arts degree. He is a certified public accountant having received certificate [REDACTED] from the State of West Virginia.

Professional Activities

He is a member of the American Institute of Certified Public Accountants, West Virginia Society of Certified Public Accountants, and the Government Finance Officers Association. He currently serves on the Board of Directors, the Peer Review Committee and the Accounting and Auditing Committee of the West Virginia Society of Certified Public Accountants, and is a past Chair of the West Virginia Society of Certified Public Accountants Peer Review Committee and the Committee on Cooperation with State and Local Governments. He also was a past president of the Charleston, West Virginia Chapter of the EDP Auditors Association. He has planned local office professional development training programs for several years and has instructed several technical seminars. Horace also served on the State of West Virginia GASB 34 implementation task force on both the entity wide financial statement committee and the oversight committee.

Continuing Professional Education

| SPONSOR | DATE | DESCRIPTION | HOURS |
|-----------------------------------|---------------|--|--------------|
| 2016 | | | |
| WV Society of CPAs | 01/25/2016 | Legislative Seminar and Reception | 4.5 |
| Suttle & Stalnakner, PLLC | 02/04/2016 | Standards Update | 1 |
| Suttle & Stalnakner, PLLC | 04/19/2016 | GAQC Update presented by the AICPA | 2 |
| Suttle & Stalnakner, PLLC | 04/25/2016 | EBPAQC 2016 Managers & Supervisors Audit Planning | 2 |
| WV Society of CPAs | 05/06/2016 | Committee Day | 1.5 |
| Suttle & Stalnakner, PLLC | 05/23/2016 | Ethics - Lunch and Learn | 1 |
| WV Society of CPAs | 06/15-18/2016 | Annual Meeting | 2 |
| Suttle & Stalnakner, PLLC | 06/20/2016 | Quality Control & Independence in an SEC, DOL and Governmental Environment | 1 |
| WV Society of CPAs | 06/15-18/2016 | Annual Meeting | 3.5 |
| WV Society of CPAs | 06/15-18/2016 | Annual Meeting | 4.5 |
| CAMICO | 07/28/2016 | Loss Prevention In-Firm Presentation "Professional Liability Exposures and Remedies" | 1 |
| State of WV, DOE, FARS | 07/21-22/2016 | 2016 GAAP Uniform Guidance Training | 10 |
| Suttle & Stalnakner, PLLC | 08/18/2016 | FASB & GASB Standards Update for 2016 | 1 |
| Suttle & Stalnakner, PLLC | 12/05-06/2016 | 2016 AICPA Employee Benefit Plans Accounting, Auditing and Regulatory Update | 2 |
| Suttle & Stalnakner, PLLC | 12/5-7/2016 | AICPA National Conference on Current SEC & PCAOB Developments | 14.5 |
| AICPA | 12/19/2016 | Peer Review Update | 2.5 |
| AICPA | 12/23/2016 | AICPA Peer Review Must-Select Industry Update: Employee Benefit Plans | 2.5 |
| | | | 56.5 |
| 2017 | | | |
| Suttle & Stalnakner, PLLC | 01/10/2017 | Proposals Revisited: Content Creation and Customization | 1 |
| WV Society of CPAs | 05/12/2017 | Committee Day | 3 |
| Suttle & Stalnakner, PLLC | 06/13/2017 | Overview of Pension Recent Developments | 1 |
| WV Society of CPAs | 06/14-17/2017 | Annual Meeting at The Greenbrier | 4.5 |
| WV Society of CPAs | 06/14-17/2017 | Annual Meeting at The Greenbrier | 4 |
| WV Society of CPAs | 06/14-17/2017 | Annual Meeting at The Greenbrier | 3.5 |
| State of WV - FARS | 06/23/2017 | FARS Closing Book Training | 2 |
| AuditWatch | 06/22/2017 | Effective and Efficient Procedures for Not-for-Profit and Governmental Entities | 5 |
| Suttle & Stalnakner, PLLC | 08/07/2017 | Revenue Recognition Mastering the New FASB Requirements | 8 |
| Suttle & Stalnakner, PLLC | 08/03/2017 | Mandatory EBPAQC Designated Partners 2017 Audit Planning Rebroadcast | 2 |
| NASBA Center for the Public Trust | 10/29/2017 | Scared Straight: White Collar Crime and Beyond | 2 |
| Charleston Chapter of the WVSCPA | 11/15/2017 | WV Oil & Natural Gas Association | 1 |

HORACE W. EMERY (Continued)

| | | | |
|---|---------------|---|--------------------------|
| Suttle & Stalnakar, PLLC | 11/10/2017 | Banking | 7 |
| WV Board of Accountancy | 11/29/2017 | Required Annual Seminar for WV State Licensing Boards | 6.5 |
| Charleston Chapter of the WVSCPA | 12/13/2017 | President WVSCPA | 1 |
| Suttle & Stalnakar, PLLC | 12/08/2017 | Independence Standards, AICPA, SEC & Attest Engagements | 1 |
| | | | 52.5 |
| 2018 | | | |
| WV Society of CPAs | 01/29/2018 | Legislative Seminar and Reception | 4.5 |
| Suttle & Stalnakar, PLLC | 01/18/2018 | Uniform Guidance Year 3: A Deeper Dive Into Challenging Audit Areas | 2.5 |
| Suttle & Stalnakar, PLLC | 01/04/2018 | Preparation Engagements and Peer Review Updates | 1 |
| Suttle & Stalnakar, PLLC | 01/04/2018 | Preparation Engagements and Peer Review Updates | 1 |
| Suttle & Stalnakar, PLLC | 01/09/2018 | Growth Culture | 1.5 |
| Suttle & Stalnakar, PLLC | 02/27/2018 | Ask the Regulators - Practical Examples of How Small Less Complex Community Banks Can Implement CELL Consulting vs AUPs | 2 |
| Suttle & Stalnakar, PLLC | 03/29/2018 | Commercial Lending Compliance | 1 |
| Suttle & Stalnakar, PLLC | 04/02/2018 | Checkpoint Research | 2 |
| Suttle & Stalnakar, PLLC | 05/03/2018 | Committee Day | 0.5 |
| WV Society of CPAs | 05/11/2018 | Vehicles for Personal Philanthropy: Donor Advised Funds vs. Private Foundations | 3 |
| The Greater Kanawha Valley Foundation | 05/23/2018 | Lessons Learned from Public Company Adoption of ASC 606 | 1.5 |
| Suttle & Stalnakar, PLLC | 06/26/2018 | Loss Prevention In-Firm Presentation, Accounting Ethics: A Risk Management Perspective | 1.5 |
| CAMICO | 06/18/2018 | Annual Meeting at the Greenbrier | 2 |
| WV Society of CPAs | 06/20-23/2018 | Annual Meeting at the Greenbrier | 2 |
| WV Society of CPAs | 06/20-23/2018 | Annual Meeting at the Greenbrier | 4.5 |
| State of West Virginia - Dept. of Administration - FARS | 06/14/2018 | FARS Closing Book Training | 2 |
| Suttle & Stalnakar, PLLC | 07/17/2018 | Auditing Accounting Estimates - SEC and AS Standards | 2 |
| Suttle & Stalnakar, PLLC | 07/10/2018 | Advanced Topics in a Single Audit | 5 |
| The Greater Kanawha Valley Foundation | 11/05/2018 | Legacies State Here: Nonprofit Accounting Update and Tax Cuts and Jobs Act | 1 |
| Suttle & Stalnakar, PLLC | 11/12/2018 | Not-for-Profit Accounting and Auditing Update | 8 |
| Surgent McCoy CPE, LLC | 12/10/2018 | Accounting & Auditing Update (ACAU) | 8 |
| | | | 56.5 |
| | | | Grand Total 165.5 |

CHRIS DEWEESE, CPA, CGMA
Audit Member

Engagement Responsibilities

Chris will be the independent review member on the engagement. He is an audit and consulting member and will be available to provide technical assistance as requested by the Lottery.

Experience

Chris has over 25 years of public accounting experience during which time he has specialized in serving for-profit, nonprofit, governmental and other for profit clients. He has served as an auditor for the following clients:

- West Virginia Consolidated Public Retirement Board including CAFR Submission
- West Virginia Offices of the Insurance Commissioner including CAFR Submission
- West Virginia Division of Highways including CAFR Submission
- West Virginia Department of Transportation
- West Virginia State Rail Authority
- WorkForce West Virginia
- West Virginia Lottery
- West Virginia Public Employees Insurance Agency
- State of West Virginia, Single Audit including CAFR Submission
- 8 County Boards of Education – Single Audit
- Concord University
- Bluefield State College
- Fairmont State University
- West Virginia School of Osteopathic Medicine
- West Virginia Council for Community & Technical College Education

Education

Chris has a bachelor's degree with a major in accounting from the University of Charleston. He is a certified public accountant having received certificate number [REDACTED] from the West Virginia Board of Accountancy.

Professional Activities

Chris is a member of the AICPA, WVSCPA, the Government Finance Officers Association, the Association of School Business Officials, AGA, the Charleston Chapter of AGA, and the Charleston Chapter of the WVSCPA. He currently serves as a member of the Executive Board of Directors of the WVSCPA, and on their Accounting and Auditing Committee, as a member of the Special Review Committee for the Certificate of Excellence of the Government Finance Officers Association, and is a Past President of the Board of Directors of the Charleston Chapter of the WVSCPA. Chris was the 2004 recipient of the WVSCPA Young CPA of the Year Award. He has also achieved the designation of Chartered Global Management Accountant. Chris is also a frequent speaker and has served on several nonprofit boards in the community.

Continuing Professional Education

| SPONSOR | DATE | DESCRIPTION | HOURS |
|--------------------------|------------|--|-------|
| 2016 | | | |
| WV Society of CPAs | 01/25/2016 | Legislative Seminar and Reception | 4.5 |
| WV Society of CPAs | 01/15/2016 | Cabinet Meeting | 2 |
| Suttle & Stalnakar, PLLC | 02/04/2016 | ASU Revenue Recognition & Standards Update | 2 |
| Suttle & Stalnakar, PLLC | 02/09/2016 | Growth Culture Essentials | 1 |

CHRIS DEWEESE, (Continued)

| | | | |
|---|------------------|--|-------------|
| Suttle & Stalnakner, PLLC | 05/23/2016 | Ethics - Lunch and Learn | 2 |
| WV Society of CPAs | 05/06/2016 | Committee Day | 3 |
| WV Society of CPAs | 06/15-18/2016 | Annual Meeting | 4.5 |
| Suttle & Stalnakner, PLLC | 06/20/2016 | Quality Control & Independence in an SEC, DOL and Governmental Environment | 1 |
| WV Society of CPAs | 06/15-18/2016 | Annual Meeting | 4.5 |
| WV Higher Education Policy Commission - Division of Finance | 06/07/2016 | GAAP Closing Process Training | 3.5 |
| WV Society of CPAs | 06/15-18/2016 | Annual Meeting | 5.5 |
| WV Dept. of Education, Office of School Finance | 07/12-14/2016 | A Tale of Two Budgets Conference | 6 |
| CAMICO | 07/28/2016 | Loss Prevention In-Firm Presentation "Professional Liability Exposures and Remedies" | 1 |
| State of WV, DOE, FARS | 07/21/2016 | 2016 GAAP Uniform Guidance Training | 6 |
| AICPA | 08/12/2016 | 2016 GAQC Annual Update Webcast | 2 |
| Suttle & Stalnakner, PLLC | 08/11/2016 | Using IT in a Single Audit | 3 |
| WV Society of CPAs | 08/31-09/02/2016 | 2016 WV Chamber of Commerce Annual Meeting | 4.5 |
| WVU Bureau of Business & Economic Research | 10/4/2016 | WV Economic Outlook Conference | 4 |
| Charleston Chapter of the WVSCPA | 12/06/2016 | WVSCPA Update | 1 |
| WV Dept. of Education | 12/1-2-2016 | WVEIS Winter Conference | 5 |
| Suttle & Stalnakner, PLLC | 12/5-7/2016 | AICPA National Conference on Current SEC & PCAOB Developments | 15 |
| | | | 81 |
| 2017 | | | |
| WV Society of CPAs | 01/20/2017 | Cabinet Meeting | 4.5 |
| Suttle & Stalnakner, PLLC | 01/10/2017 | Proposals Revisited: Content Creation and Customization | 1 |
| Charleston Chapter of the WVSCPA | 05/16/2017 | Reflections on a Half-Century in the Accounting Profession and a Look Ahead | 1 |
| AICPA | 05/02/2017 | 2017 GAQC Annual Update Webcast | 2 |
| WV Society of CPAs | 05/12/2017 | Committee Day | 3 |
| State of WV - FARS | 06/23/2017 | FARS Closing Book Training | 2 |
| WV Society of CPAs | 06/14-17/2017 | Annual Meeting at The Greenbrier | 3.5 |
| AuditWatch | 06/22/2017 | Effective and Efficient Procedures for Not-for-Profit and Governmental Entities | 8 |
| Suttle & Stalnakner, PLLC | 06/29/2017 | Tax Presentation and Going into Business in WV Manual | 9 |
| Charleston Chapter of WVSCPA | 07/26/2017 | Charleston Area Economic Development Initiatives | 1 |
| WV Dept. of Education | 07/18-20/2017 | A Midsummer Night's Conference | 4.5 |
| Suttle & Stalnakner, PLLC | 08/07/2017 | Revenue Recognition Mastering the New FASB Requirements | 8 |
| WV Society of CPAs | 08/30-09/01/2017 | 2017 WB Chamber of Commerce Annual Meeting & Business Summit | 2 |
| Suttle & Stalnakner, PLLC | 10/24/2017 | Standard Settings Update | 1 |
| Suttle & Stalnakner, PLLC | 12/08/2017 | Independence Standards, AICPA, SEC & Attest Engagements | 1 |
| | | | 51.5 |
| 2018 | | | |
| Suttle & Stalnakner, PLLC | 01/04/2018 | Preparation Engagements and Peer Review Updates | 1 |
| WV Society of CPAs | 01/19/2018 | Cabinet Meeting | 4 |
| WV Society of CPAs | 01/29/2018 | Legislative Seminar and Reception | 4.5 |
| Suttle & Stalnakner, PLLC | 01/04/2018 | Preparation Engagements and Peer Review Updates | 1 |
| AICPA | 05/08/2018 | 2018 GAQC Annual Update Webcast | 2 |
| WV Society of CPAs | 05/11/2018 | Committee Day | 3 |
| Suttle & Stalnakner, PLLC | 05/18/2018 | Census Data Testing | 1 |
| CAMICO | 06/18/2018 | Loss Prevention In-Firm Presentation, Accounting Ethics: A Risk Management Perspective | 2 |
| WV Society of CPAs | 06/20-23/2018 | Annual Meeting at the Greenbrier | 4.5 |
| WV Society of CPAs | 06/20-23/2018 | Annual Meeting at the Greenbrier | 6.5 |
| CT Corporation - Wolters Kluwer | 06/05/2018 | The Corporation vs. The LLC | 1 |
| WV Dept. of Education | 07/17-19/2018 | The Greatest Finance Show On Earth Conference | 6.5 |
| Suttle & Stalnakner, PLLC | 07/10/2018 | Advanced Topics in a Single Audit | 6.5 |
| Suttle & Stalnakner, PLLC | 07/17/2018 | Auditing Accounting Estimates - SEC and AS Standards | 2 |
| WV Society of CPAs | 08/29-31/2018 | 2018 WV Chamber of Commerce Annual Meeting & Business Summit | 1.5 |
| AGA Charleston Chapter | 11/08/2018 | Fall Conference | 6.5 |
| AGA Charleston Chapter | 11/08/2018 | Fall Conference | 1.5 |
| Suttle & Stalnakner, PLLC | 11/12/2018 | Not-for-Profit Accounting and Auditing Update | 2.5 |
| Surgent McCoy CPE, LLC | 12/10/2018 | Accounting & Auditing Update (ACAU) | 8 |
| WVSCPA Charleston Chapter | 12/05/2018 | President WVSCPA | 1 |
| | | | 66.5 |
| | | Grand Total | 199 |

NATALIE LUPPOLD, CPA, CISA, CITP

Senior Manager

Firm Responsibilities

Natalie Luppold is a senior manager who works primarily in the audit and accounting areas of Suttle & Stalnaker, PLLC. Her responsibilities include, but are not limited to, carrying out audit plans, communication with clients during the course of the fieldwork, completion of final audit reports.

Experience

Natalie has over 12 years of experience during which time she has worked on several audit engagements that are similar to the client being proposed on:

- West Virginia Department of Transportation - Division of Highways
- PRIDE Community Services, Inc.
- Coalfield Community Action Partnership
- West Virginia Offices of the Insurance Commissioner
- Single Audit of West Virginia
- Engagement to evaluate cost sharing compliance with provisions of a federal program. Involved visiting 10 different states
- Engagement to test compliance with a specific new federal program. Involved visiting approximately 20 states and testing a total of 27 State run programs and 1 federally run program

Natalie has worked on several IT specific engagements, including those testing controls, compliance and social engineering. Her experience includes working on the WVDOH IT portion of the audit and working on several financial institution related engagements.

Education

Natalie graduated from Concord College with a bachelor of science degree in business administration and from West Virginia University with a masters of professional accountancy. She is a certified public accountant having received certificate number [REDACTED] from the State of West Virginia.

Professional Activities

Certified Public Accountant. Certified Information Technology Professional. Member of the American Institute of Certified Public Accountants, West Virginia Society of Certified Public Accountants, the Charleston Chapter of the West Virginia Society of Certified Public Accountants, and the AICPA Information Technology Section. Natalie also serves on the Board of Directors of the West Virginia state chapter of a national nonprofit organization.

Continuing Professional Education

| SPONSOR | DATE | DESCRIPTION | HOURS |
|--------------------------|---------------|---|--------------|
| 2016 | | | |
| Checkpoint Learning | 01/08/2016 | Federal Single Audit - Major Program Determination | 2 |
| Checkpoint Learning | 01/20/2016 | Common Practice Problems in Preparing Nonprofit Organization Financial Statements | 2 |
| Suttle & Stalnaker, PLLC | 02/04/2016 | Audit Quality Toolkit by the AICPA | 1 |
| Suttle & Stalnaker, PLLC | 02/09/2016 | Growth Culture Essentials | 1 |
| Checkpoint Learning | 02/09/2016 | Identifying and Correcting the Most Common Audit Inefficiencies | 2 |
| Checkpoint Learning | 02/19/2016 | A Single Audit Case Study | 2 |
| Suttle & Stalnaker, PLLC | 02/04/2016 | ASU Revenue Recognition & Standards Update | 2 |
| Checkpoint Learning | 03/09/2016 | Audit Sampling Considerations in a Single Audit | 2 |
| SANS Institute | 03/14-19/2016 | Security Essentials Bootcamp Style | 46 |
| Suttle & Stalnaker, PLLC | 05/23/2016 | Ethics - Lunch and Learn | 2 |

NATALIE LUPPOLD, (Continued)

| | | | |
|---|------------------|--|--------------|
| WV Society of CPAs | 05/06/2016 | Committee Day | 3 |
| Community Bankers of West Virginia | 06/10-12/2016 | 21st Annual Convention | 6 |
| Suttle & Stalnakner, PLLC | 06/20/2016 | Quality Control & Independence in an SEC, DOL and Governmental Environment | 1 |
| Allinial Global | 08/17-18/2016 | Training LP3#1 (16'-17' Mid-Atlantic Consortium) | 16.5 |
| Suttle & Stalnakner, PLLC | 08/18/2016 | FASB & GASB Standards Update for 2016 | 1 |
| Checkpoint Learning | 11/29/2016 | A Close Look at GASB Statements No. 69 and 70 | 2 |
| Suttle & Stalnakner, PLLC | 12/15/2016 | Excel Add-in for Governmental Statements | 9 |
| Allinial Global | 12/12-13/2016 | Training: LP3#2 (2016-2017 Mid-Atlantic Consortium) | 17.5 |
| | | | 118 |
| 2017 | | | |
| WV Society of CPAs | 01/20/2017 | Cabinet Meeting | 4.5 |
| ISACA | 02/23/2017 | Self-Empowerment in Technology: Bootstrapping and Belief | 1 |
| ISACA | 02/28/2017 | Mitigating the Top 5 Cloud Security Threats | 1 |
| AICPA | 03/30/2017 | Smart Contracts: What Lies Ahead for Blockchain | 2 |
| Charleston Chapter of the WVSCPAs | 05/16/2017 | Reflections on a Half-Century in the Accounting Profession and a Look Ahead | 1 |
| Allinial Global | 05/22-23/2017 | Training: LP3#3 | 18 |
| ACFE | 05/25/2017 | Alternative Remittance Systems & Trade Based Money Laundering | 2 |
| Deloitte LLP | 06/1/2017 | Dark data analytics: Shedding Light on a new and valuable business asset | 1 |
| ISACA | 06/21/2017 | Practical Approaches to Accelerating Privileged Access | 1 |
| Community Bankers of West Virginia | 06/23-25/2017 | 22nd Annual Convention | 7.5 |
| AuditWatch | 06/22/2017 | Effective and Efficient Procedures for Not-for-Profit and Governmental Entities | 8 |
| Community Banker University | 06/11-16/2017 | Compliance Institute | 42 |
| Charleston Chapter of WVSCPAs | 07/26/2017 | Charleston Area Economic Development Initiatives | 1 |
| Allinial Global | 08/21-22/2017 | Training: LP3#4 | 18 |
| Charleston Chapter of the WVSCPAs | 09/06/2017 | Department of Revenue | 1 |
| Suttle & Stalnakner, PLLC | 10/03/2017 | Data Analytics Roundtable and Using Data Extraction in Audits | 2 |
| Suttle & Stalnakner, PLLC | 10/24/2017 | Standard Settings Update | 1 |
| AGA Charleston Chapter | 11/01/2017 | The Fall Conference | 8 |
| Suttle & Stalnakner, PLLC | 11/10/2017 | Banking | 7 |
| Suttle & Stalnakner, PLLC | 12/08/2017 | Independence Standards, AICPA, SEC & Attest Engagements | 1 |
| AICPA | 12/11/2017 | How Hackers Can Breach Your System | 2 |
| | | | 130 |
| 2018 | | | |
| WV Society of CPAs | 01/19/2018 | Cabinet Meeting | 4 |
| Suttle & Stalnakner, PLLC | 02/27/2018 | Ask the Regulators - Practical Examples of How Small Less Complex Community Banks Can Implement CELL | 2.5 |
| Suttle & Stalnakner, PLLC | 03/30/2018 | Breaking Down Beneficial Ownership: A Former Regulator's Perspective | 3 |
| Suttle & Stalnakner, PLLC | 03/29/2018 | Consulting vs AUPs | 6 |
| Suttle & Stalnakner, PLLC | 03/28/2018 | Countdown to the New HMDA Rules Effective January 1, 2018 | 4.5 |
| Suttle & Stalnakner, PLLC | 03/29/2018 | 2018 ACH Updates | 3 |
| AGA Charleston Chapter | 04/30-05/01/2018 | 2018 AGA Spring Conference | 15 |
| AGA Charleston Chapter | 04/30-05/01/2018 | 2018 AGA Spring Conference | 1 |
| Suttle & Stalnakner, PLLC | 04/02/2018 | Commercial Lending Compliance | 2 |
| WV Society of CPAs | 05/11/2018 | Committee Day | 3 |
| CAMICO | 06/18/2018 | Loss Prevention In-Firm Presentation, Accounting Ethics: A Risk Management Perspective | 2 |
| Community Bankers of West Virginia | 06/08-10/2018 | 23rd Annual Convention | 3 |
| State of West Virginia - Dept. of Administration - FARS | 06/14/2018 | FARS Closing Book Training | 2 |
| Suttle & Stalnakner, PLLC | 06/26/2018 | Lessons Learned from Public Company Adoption of ASC 606 | 1.5 |
| Allinial Global | 07/26-27/2018 | Financial Institutions Fly-In: Nashville TN | 8.5 |
| Allinial Global | 07/26-27/2018 | Financial Institutions Fly-In: Nashville TN | 1.5 |
| West Virginia Bankers Association | 07/29-31/2018 | WVBA Annual Convention 2018 | 4 |
| Suttle & Stalnakner, PLLC | 07/17/2018 | Auditing Accounting Estimates - SEC and AS Standards | 2 |
| Allinial Global | 07/26-27/2018 | Financial Institutions Fly-In: Nashville TN | 2 |
| Suttle & Stalnakner, PLLC | 11/12/2018 | Not-for-Profit Accounting and Auditing Update | 8 |
| WVSCPAs Charleston Chapter | 12/05/2018 | President WVSCPAs | 1 |
| Surgent McCoy CPE, LLC | 12/10/2018 | Accounting & Auditing Update (ACAU) | 8 |
| | | | 87.5 |
| | | Grand Total | 335.5 |

MARIE LONG, CPA
Senior Manager

Firm Responsibilities

Marie is a senior manager who works primarily in the audit, accounting, and consulting areas of Suttle & Stalnaker, PLLC. Her responsibilities include, but are not limited to, carrying out engagement plans, supervising other staff and senior accountants, communication with clients during the course of the fieldwork, completion of final reports.

Experience

She has over 13 years of experience in public accounting during which time she has specialized in audits of governmental and nonprofit entities similar to the client being proposed on.

Education

Marie graduated from West Virginia State University with a bachelor of science degree in business administration with major concentrations in accounting, finance, and management and a minor in economics. She is a certified public accountant having received certificate number [REDACTED] from the State of West Virginia.

Professional Activities

She is a member of the AICPA, the West Virginia Society of Certified Public Accountants and the Charleston Chapter of the West Virginia Society of Certified Public Accountants. Kelly is also the 2014 recipient of the Young CPA of the Year Award from the West Virginia Society of Certified Public Accountants.

Continuing Professional Education

| SPONSOR | DATE | DESCRIPTION | HOURS |
|--------------------------|---------------|--|--------------|
| 2016 | | | |
| WV Society of CPAs | 01/15/2016 | Cabinet Meeting | 3.5 |
| Suttle & Stalnaker, PLLC | 02/09/2016 | Growth Culture Essentials | 1 |
| Suttle & Stalnaker, PLLC | 02/04/2016 | Audit Quality Toolkit by the AICPA | 1 |
| Suttle & Stalnaker, PLLC | 02/04/2016 | ASU Revenue Recognition & Standards Update | 2 |
| AGA Charleston Chapter | 03/15/2016 | Ethical Determinations for Accountants | 1 |
| Suttle & Stalnaker, PLLC | 04/19/2016 | GAQC Update presented by the AICPA | 2 |
| Suttle & Stalnaker, PLLC | 05/03/2016 | Business Combinations Refresher by Mind the GAAP, LLC | 1 |
| Suttle & Stalnaker, PLLC | 05/23/2016 | Ethics - Lunch and Learn | 2 |
| AGA Charleston Chapter | 05/03-04/2016 | Charleston WV Chapter 2016 Spring Conference | 8 |
| AGA Charleston Chapter | 05/03-04/2016 | Charleston WV Chapter 2016 Spring Conference | 4 |
| WV Society of CPAs | 05/06/2016 | Committee Day | 3 |
| Suttle & Stalnaker, PLLC | 06/20/2016 | Quality Control & Independence in an SEC, DOL and Governmental Environment | 1 |
| State of WV, DOE, FARS | 07/21-22/2016 | 2016 GAAP Uniform Guidance Training | 10 |
| CAMICO | 07/28/2016 | Loss Prevention In-Firm Presentation "Professional Liability Exposures and Remedies" | 1 |
| Suttle & Stalnaker, PLLC | 08/11/2016 | Using IT in a Single Audit | 3 |
| AGA Charleston Chapter | 08/17/2016 | Forensic Accounting | 1 |
| AGA Charleston Chapter | 12/7/2016 | Uniform Guidance - Single Audit | 3 |
| | | | 47.5 |
| 2017 | | | |
| AGA Charleston Chapter | 01/18/2017 | Fraud Awareness | 1 |
| Allinial Global | 01/10/2017 | Webinar: An Overview of IFRS vs. US GAAP | 1 |
| WV Society of CPAs | 01/20/2017 | Cabinet Meeting | 4.5 |
| AGA Charleston Chapter | 03/15/2017 | Detecting and Monitoring Fraud | 1 |
| AGA Charleston Chapter | 05/23-24/2017 | The AGA Spring Conference | 12 |
| AGA Charleston Chapter | 05/23-24/2017 | The AGA Spring Conference | 4 |

MARIE LONG, (Continued)

| | | | |
|---------------------------------------|------------------|--|-----------|
| AGA Charleston Chapter | 05/10/2017 | The WV Ethics Act | 1 |
| WV Society of CPAs | 05/12/2017 | Committee Day | 3 |
| AuditWatch | 06/22/2017 | Effective and Efficient Procedures for Not-for-Profit and Governmental Entities | 8 |
| WV Higher Education Policy Commission | 06/01/2017 | GAAP Closing Process Training | 4.5 |
| AGA Charleston Chapter | 07/19/2017 | WV Oasis Payroll | 1 |
| AICPA | 08/14/2017 | IFRS: Segment Reporting (IFRS 8) | 1 |
| Suttle & Stalnaker, PLLC | 08/07/2017 | Revenue Recognition Mastering the New FASB Requirements | 8 |
| AGA Charleston Chapter | 09/20/2017 | WV Comprehensive Annual Financial Report and GASB Update | 1 |
| Suttle & Stalnaker, PLLC | 10/24/2017 | Standard Settings Update | 1 |
| AGA Charleston Chapter | 11/01/2017 | The Fall Conference | 8 |
| Suttle & Stalnaker, PLLC | 12/08/2017 | Independence Standards, AICPA, SEC & Attest Engagements | 1 |
| | | | 61 |
| 2018 | | | |
| Suttle & Stalnaker, PLLC | 01/18/2018 | Uniform Guidance Year 3: A Deeper Dive Into Challenging Audit Areas | 2.5 |
| AICPA | 01/03/2018 | IFRS: Intangible Assets | 1 |
| AICPA | 01/03/2018 | IFRS: The Starting Point | 1.5 |
| Suttle & Stalnaker, PLLC | 01/09/2018 | Growth Culture | 1.5 |
| WV Society of CPAs | 01/19/2018 | Cabinet Meeting | 4 |
| AGA Charleston Chapter | 02/21/2018 | Legislative Audits | 1 |
| AGA Charleston Chapter | 04/30-05/01/2018 | 2018 AGA Spring Conference | 9 |
| Suttle & Stalnaker, PLLC | 05/03/2018 | Checkpoint Research | 1 |
| AICPA | 05/30/2018 | IFRS Business Combinations | 2 |
| AICPA | 05/31/2018 | IFRS Separate and Consolidated Financial Statements | 1.5 |
| AICPA | 05/31/2018 | IFRS Governance and Conceptual Framework | 2.5 |
| Suttle & Stalnaker, PLLC | 05/18/2018 | Census Data Testing | 1 |
| WV Society of CPAs | 05/11/2018 | Committee Day | 3 |
| AGA Charleston Chapter | 06/12/2018 | OASIS Reporting | 1 |
| AICPA | 06/13/2018 | IFRS Share-Based Payments and Employee Benefits, Non-Pension | 1.5 |
| CAMICO | 06/18/2018 | Loss Prevention In-Firm Presentation, Accounting Ethics: A Risk Management Perspective | 2 |
| AICPA | 06/01/2018 | IFRS Earnings per Share | 1 |
| AICPA | 06/01/2018 | IFRS Fair Value Measurement | 1.5 |
| AICPA | 06/05/2018 | IFRS Financial Statements, Interim Reporting, and Cash Flows | 2 |
| AICPA | 06/06/2018 | IFRS Financial System Considerations in IFRS | 1.5 |
| AICPA | 06/06/2018 | IFRS The Effects of Changes in Foreign Exchange Rates | 1.5 |
| AICPA | 06/08/2018 | IFRS Impairment of Non-Financial Assets | 1 |
| AICPA | 06/08/2018 | IFRS Investment Property | 1 |
| AICPA | 06/11/2018 | IFRS Property, Plant & Equipment | 1.5 |
| AICPA | 06/11/2018 | IFRS Inventories | 2 |
| Suttle & Stalnaker, PLLC | 06/26/2018 | Lessons Learned from Public Company Adoption of ASC 606 | 1.5 |
| WV Higher Education Policy Commission | 06/07/2018 | GAAP Closing Process Training | 4.5 |
| AICPA | 07/03/2018 | IFRS Non-current Assets Held for Sale and Discontinued Operations | 2 |
| AICPA | 07/09/2018 | IFRS Investments in Associates and Joint Arrangements | 1.5 |
| Suttle & Stalnaker, PLLC | 07/10/2018 | Advanced Topics in a Single Audit | 6.5 |
| Suttle & Stalnaker, PLLC | 07/17/2018 | Auditing Accounting Estimates - SEC and AS Standards | 2 |
| AICPA | 07/27/2018 | IFRS: Provisions, Contingent Liabilities and Contingent Assets | 2 |
| AICPA | 07/02/2018 | IFRS Financial Instruments | 3 |
| AGA Charleston Chapter | 08/15/2018 | Post Audit | 1 |
| AGA Charleston Chapter | 11/08/2018 | Fall Conference | 1.5 |
| AGA Charleston Chapter | 11/08/2018 | Fall Conference | 6.5 |
| Suttle & Stalnaker, PLLC | 11/12/2018 | Not-for-Profit Accounting and Auditing Update | 8 |
| Surgent McCoy CPE, LLC | 12/10/2018 | Accounting & Auditing Update (ACAU) | 8 |

97**Grand Total 205.5**

4. MANDATORY REQUIREMENTS:

4.1 Mandatory Contract Services Requirements and Deliverables: Contract Services must meet or exceed the mandatory requirements listed below.

4.1.1 The Lottery seeks a qualified certified public accounting firm to audit its financial statements for the fiscal year ending June 30, 2019, with the option to audit for each of the two (2) subsequent fiscal years. Additionally, the successful Vendor is to provide services that will ensure the successful filing of the Lottery annual CAFR. The Lottery will seek advice from the successful Vendor on accounting matter of Lottery operations and changes in accounting standards. The Lottery expects the successful Vendor to be proactive in advising the Lottery on these issues.

IGT is the online and instant ticket vendor the fiscal year ending June 30, 2019. The Lottery had a SOC 1, Type 2 audit. The Lottery also contracts with IGT for printing instant tickets. No other outside audits or reviews of the Lottery computer systems is scheduled. The successful Vendor must assure its own comfort with other Lottery based gaming systems and internal systems.

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

4.1.2 SCOPE of WORK: The Lottery requires the successful Vendor to express an opinion on the fair presentation of financial statements in conformity with U.S. GAAP and standards established by the GASB of the AICPA. Additionally, the successful Vendor will be required to prepare all supporting schedules relating to the Lottery that are required for the preparation of the state's CAFR. These schedules are specified on an annual basis by the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration and must be filed with FARS by October 15, 2019 and each potential renewal or extension year.

The successful Vendor shall also be responsible for assisting in the implementation of required supplementary information required by GASB as mandated by the AICPA and utilize GAAS. This assistance requires personal inter relationship of the online vendor and Lottery staff.

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

4.1.3 The Lottery Commission requires an independent and objective auditing firm. The firm must provide an affirmative statement that it is independent of the Lottery as defined by GAS and the U.S. General Accounting Office's Government Auditing Standards (1988). The firm must also provide an affirmative statement that it is independent of the State of West Virginia and any other component units of that entity, as defined by those same standards.

Vendor Response:

INDEPENDENCE

All professional personnel from Suttle & Stalnaker, PLLC are familiar with and adhere to the current applicable versions of the independence rules, regulations, interpretations, and rulings of the GAGAS (GAO "Yellow Book"), American Institute of Certified Public Accountants (AICPA), the State of West Virginia Board of Accountancy, the West Virginia Society of Certified Public Accountants, State statutes, and regulatory agencies under which we practice.

We evaluate independence at least on an annual basis and also when the facts and circumstances of an engagement or employee change. We also reevaluate at the beginning of each engagement and upon the receipt of a new client.

AFFIRMATIVE STATEMENT

Suttle & Stalnaker, PLLC is independent of the Lottery, and any other component units of the State of West Virginia as defined by auditing standards generally accepted in the United States of America and GAGAS (GAO "Yellow Book,") issued by the Comptroller General of the United States, United States General Accounting Office.

- 4.1.4 *REPORTS: Following the completion of the audit of the fiscal year's financial statements, the Vendor shall issue a report on the fair presentation of the financial statements in conformity with U.S. GAAP and in format to comply with GASB standards established by the AICPA.***

In addition, the Vendor is to provide an "in-relation-to" report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements.

The Vendor shall communicate in a letter to the Lottery's authorized representative any reportable conditions found during the audit. A "reportable condition" shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

- 4.1.5 *IRREGULARITIES and ILLEGAL ACTS: The Vendor shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the following parties:***

- a) *Lottery director;*
- b) *Lottery General Counsel;*
- c) *Lottery compliance officer; and*
- d) *Finance/Audit Committee of the Lottery*

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

- 4.1.6 *REPORTING TO LOTTERY FINANCE/AUDIT COMMITTEE: The Vendor shall report to the Lottery's Financial/Audit committee each of the following within sixty (60) days of the issuance of the audit:***

- a) *The Vendor responsibility under GAAS*
- b) *Significant Accounting policies*
- c) *Management judgements and accounting estimates*
- d) *Significant audit adjustments*

- e) *Other information in documents containing audited financial statements*
- f) *Disagreements with management*
- g) *Major issues discussed with management prior to retention*
- h) *Difficulties encountered in performing the audit*

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

- 4.1.7 SPECIAL CONSIDERATIONS: The Lottery will send its CAFR to the GFOA of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting Program. The successful audit firm shall assign auditors with at least three (3) years of experience in filing successful CAFR reports to work on the Lottery's CAFR. The Vendor will be required to provide special assistance to the Lottery to meet the requirements of that program which include:**

- a) *Advising the agency on the technical standards necessary to file a CAFR for an enterprise fund*
- b) *Reviewing the agency's CAFR documents and assist in the development of meaningful statistical charts and data by providing direct on-site assistance to the Lottery staff*
- d) *Formulating the Vendor report to be included in the CAFR*
- e) *Proofreading the CAFR prior to filing to assure financial data and context of discussions are appropriate and in compliance with GFOA standards*
- f) *Preparing schedules, charts and graphs to be strategically placed in the CAFR*

The financial statements of the Lottery are to be included as a component unit of the financial statements of the State of West Virginia. The Vendor will be required to provide special assistance to the State of West Virginia's auditors and the Department of Administration's Financial Accounting Reporting Section.

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

- 4.1.8 WORKING PAPERS RETENTION and ACCESS to WORKING PAPERS: All working papers and reports must be retained, at the Vendor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the Lottery of the need to extend the retention period. The Vendor will be required to make working papers available, upon request, to the Lottery.**

In addition, the successful Vendor shall respond to the reasonable inquiries by the Lottery or its successor auditors and allow its successor auditors to review working papers relating to the matters of continuing account significance.

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

4.1.9 *The Vendor's principal contact will be the Compliance Officer, who will coordinate the assistance to be provided by the Lottery to the successful Vendor.*

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

4.1.10 *DATE AUDIT MAY COMMENCE: The Lottery will have records ready for audit and management personnel available to meet with the firm's personnel after its June 30, 2019 year end.*

The successful vendor shall have drafts of the audit report(s) and recommendations to management available for review by Deputy Director of Finance and internal auditors by August 31st immediately following the fiscal year-end being audited.

The Deputy Director of Finance will complete a review of the draft report as expeditiously as possible. During that period, the successful Vendor must be available for any meetings that may be necessary to discuss the audit reports.

The successful Vendor shall prepare the final financial statements, notes, management letter and all required supplementary schedules and statistical data by the second Friday of September immediately following the fiscal year-end being audited.

The following reports must be delivered to the Deputy Director of Finance:

- a) *Financial Statements with Additional Information - statewide CAFR, ten (10) copies*
- b) *Audit results - Management Letter, twenty (20) copies*
- c) *Financial Statements, fifty (50) copies*

The successful Vendor must be present at such times as necessary to provide assistance to Lottery staff in filing the Lottery CAFR. CAFR work will be supported from September 10, 2019 to December 31, 2019 of each year to be audited.

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

4.1.11 *ASSISTANCE to be PROVIDED to the VENDOR and REPORT PREPARATION: The finance department and management staff will be available during the audit to assist the successful Vendor by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the successful Vendor.*

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

- 4.1.11.1** *The Compliance Officer and two (2) individuals on the internal audit staff will be available as needed.*

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

- 4.1.11.2** *The Lottery will provide the Vendor with reasonable workspace, desks, and chairs. The Vendor will also be provided with access to telephone lines, photocopying, and fax machines as appropriate.*

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

- 4.1.11.3** *Report preparation, editing, and printing shall be the responsibility of the Vendor.*

Vendor Response:

Suttle & Stalnaker, PLLC understands the above mandatory contract services requirements and deliverables.

5. CONTRACT AWARD:

- 5.1** *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 Total Bid Amount as shown on the Pricing Pages. This contract will be awarded for one year with two optional renewals.*

Contract will be evaluated based on the Total Bid Amount and awarded for the first year only.

- 5.1.1** *Renewal options for years 2 and 3 will be initiated by the Agency, agreed to by the Vendor and Processed by the West Virginia Purchasing Division as Change Orders for subsequent years.*

- 5.2** *Pricing Page: Vendor should complete the Pricing Page by providing a total, all-inclusive price incorporating professional fees and expenses for all services described in this solicitation, including but not limited to the annual financial audit, preparation of the Lottery CAFR, and preparation of schedules to comply with the Lottery filings required to support the State audit of the Lottery's financials and State-level CAFR. Vendor should provide a separate price to provide these services for each of FY 2019, FY2020, and FY 2021, as well as a Total Bid Amount that is the sum of all three pieces. 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 or clearly print the information into the Pricing Page to prevent errors in the evaluation. If Vendor is submitting bid online, Vendor must submit Pricing Page as attachment. TOTAL BID AMOUNT is the amount Vendor is to enter into wvOASIS commodity line when submitting. Notwithstanding the foregoing, the Purchasing Division may correct errors at its discretion.

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

- 6. PAYMENT:** *Agency shall pay Lump Sum, as shown on the Pricing Pages, for all Contract Services performed and accepted under this Contract. Vendor shall accept payment in accordance with the payment procedures of the State of West Virginia.*

7. VENDOR DEFAULT:

7.1 The following shall be considered a vendor default under this Contract.

7.1.1 Failure to provide Contract Items in accordance with the requirements contained herein.

7.1.2 Failure to comply with other specifications and requirements contained herein.

7.1.3 Failure to comply with any laws, rules, and ordinances applicable to the Contract Services provided under this Contract.

7.1.4 Failure to remedy deficient performance upon request.

7.2 The following remedies shall be available to Agency upon default.

7.2.1 Immediate cancellation of the Contract.

7.2.2 Immediate cancellation of one or more release orders issued under this Contract.

7.2.3 Any other remedies available in law or equity.

8. TRAVEL: Vendor shall be responsible for all mileage and travel costs, including travel time, associated with performance of this Contract. Any anticipated mileage or travel costs may be included in the flat fee or hourly rate listed on Vendor's bid, but such costs will not be paid by the Agency separately.

9. FACILITIES ACCESS: Performance of Contract Services may require access cards and/or keys to gain entrance to Agency's facilities. In the event that access cards and/or keys are required:

9.1 Vendor must identify principal service personnel which will be issued access cards and/or keys to perform service.

9.2 Vendor will be responsible for controlling cards and keys and will pay replacement fee, if the cards or keys become lost or stolen.

9.3 Vendor shall notify Agency immediately of any lost, stolen, or missing card or key.

9.4 Anyone performing under this Contract will be subject to Agency's security protocol and procedures.

9.5 Vendor shall inform all staff of Agency's security protocol and procedures.

10. MISCELLANEOUS:

10.1 Contract Manager: During its performance of this Contract, Vendor must designate and maintain a primary contract manager responsible for overseeing Vendor's responsibilities under this Contract. The Contract manager must be available during normal business hours to address any customer service or other issues related to this Contract. Vendor should list its Contract manager and his or her contact information below.

Contract Manager: Chris Lambert, CPA, CGMA, CCIFP, Member
Telephone Number: 304.343.4126 main; 304.720.3102 direct
Fax Number: 304.343.8008
Email Address: CSLambert@suttlecpas.com

- 11. BY SUBMISSION OF THIS COST BID THE VENDOR CERTIFIES AND AGREES TO THE FOLLOWING:**
- 11.1** *That the Vendor understands the Lottery's need to obtain highly skilled audit and accomplished accounting services and advice needed to ensure accomplishment of the reliance placed on these by bond rating agencies, State of West Virginia Legislature & Governor's Office, the public, and the many users of the national gaming industry.*
- 11.2** *That the Vendor will prepare all work necessary and work with the Lottery staff to ensure the Lottery's annual CAFR is filed by the due date of December 31st of each year that the contract is in effect, and that the information contained within the submissions complies with all applicable accounting standards and the filing requirements of the GFOA of the United States and Canada.*
- 11.3** *That the Vendor has certified public accountants assigned to the Lottery work who understand traditional, instant and online gaming (to include the automated computer systems used to account for these operations), RVL, (to include the automated central computer system), LVL (with related central computer system applications), racetrack table games operations, and limited gaming facility operations of table games and video lottery (central computer system). The Vendor is responsible for understanding the West Virginia statutes, legislative rules, and internal policies which control and define the accounting for each of the above game types. The Lottery requires that all partners, audit managers, and senior accountants assigned to the Lottery work be certified public accountants with a license to practice in West Virginia, and who have a minimum of five (5) years of auditing experience of gaming lotteries, and five (5) years governmental auditing of state level agencies.*
- 11.4** *That the Vendor will make itself available to the Lottery on short notice to give advice to the Lottery on changes in accounting practices, changes in the law, and engage in general accounting discussions on the appropriate treatment of transactions which may present themselves and which may affect their presentation in the Lottery's financial statements or in the course of internal auditing functions.*
- 11.5** *That the Vendor certifies its compliance with all other required certifications or requirements listed as listed in the body of this RFQ.*

EXHIBIT A
PRICING PAGE
FLAT FEE PRICING

| DESCRIPTION | YEAR | COST |
|--|---------------------|-------------------|
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2019 | \$ 40,000 |
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2020 | 41,000 |
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2021 | 42,000 |
| | TOTAL BID AMOUNT | <u>\$ 123,000</u> |

Vendor: Suttle & Stalnaker, PLLC

Signature: Chris Lambert

Date: April 17, 2019



Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

State of West Virginia
 Request for Quotation
 34 — Service - Prof

Proc Folder: 565836

Doc Description: RFQ FOR ANNUAL AUDIT SERVICE

Proc Type: Central Contract - Fixed Amt

| Date Issued | Solicitation Closes | Solicitation No | Version |
|-------------|------------------------|-------------------------|---------|
| 2019-04-04 | 2019-04-17 13:30:00 | CRFQ 0705 LOT1900000004 | 1 |

BID RECEIVING LOCATION

BID CLERK
 DEPARTMENT OF ADMINISTRATION
 PURCHASING DIVISION
 2019 WASHINGTON ST E
 CHARLESTON WV 25305
 US

VENDOR

Vendor Name, Address and Telephone Number:

Suttle & Stalnaker, PLLC
 1411 Virginia Street East, Suite 100
 Charleston, WV 25301
 304-343-4126

FOR INFORMATION CONTACT THE BUYER

Brittany E Ingraham
 (304) 558-2157
 brittany.e.ingraham@wv.gov

Signature X

Chris Lambert

FEIN # 55-0538163

DATE 04/17/2019

All offers subject to all terms and conditions contained in this solicitation

ADDITIONAL INFORMATION:

The West Virginia Purchasing Division is soliciting bids on behalf of the West Virginia Lottery to establish a fixed term contract to provide the Lottery with Audit and Management Advisory Services for the fiscal year ending June 30, 2019, per the bid requirements, specifications, terms and conditions attached to this solicitation.

It is anticipated that a contract awarded from this solicitation will be effective: July 01, 2019.

| INVOICE TO | | SHIP TO | |
|------------------|--------------|----------------------|----------|
| ACCOUNTS PAYABLE | | PURCHASING | |
| LOTTERY | | LOTTERY | |
| PO BOX 2067 | | 900 PENNSYLVANIA AVE | |
| CHARLESTON | WV25327-2067 | CHARLESTON | WV 25302 |
| US | | US | |

| Line | Comm Ln Desc | Qty | Unit Issue | Unit Price | Total Price |
|------|----------------------|-----|------------|------------|-------------|
| 1 | ANNUAL AUDIT SERVICE | | | | |

| Comm Code | Manufacturer | Specification | Model # |
|-----------|--------------|---------------|---------|
| 84111600 | | | |

Extended Description :

PLEASE SEE EXHIBIT A PRICING PAGE.

CERTIFIED PUBLIC ACCOUNTING FIRM TO PROVIDE ANNUAL AUDIT SERVICES FOR FISCAL YEAR ENDING JUNE 30, 2019, FOR THE WV LOTTERY LOCATED AT 900 PENNSYLVANIA AVENUE, CHARLESTON, WV 25302 PER THE ATTACHED.

| | | | |
|----------------------|--------------------------------|---|------------------------------|
| LOT1900000004 | Document Phase Final | Document Description RFQ FOR ANNUAL AUDIT SERVICE | Page 3 of 3 |
|----------------------|--------------------------------|---|------------------------------|

ADDITIONAL TERMS AND CONDITIONS

See attached document(s) for additional Terms and Conditions

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.

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

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

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 nonbinding.

Submitted e-mails should have solicitation number in the subject line.

Question Submission Deadline: April 9, 2019 at 10:00 AM EDT

Submit Questions to: Brittany Ingraham
2019 Washington Street, East
Charleston, WV 25305
Fax: (304) 558-4115 (Vendors should not use this fax number for bid submission)
Email: Brittany.E.Ingraham@wv.gov

5. VERBAL COMMUNICATION: Any verbal communication between the Vendor and any State personnel is not binding, including verbal communication 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 submitted electronically through wvOASIS or 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 electronic submission via wvOASIS, 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

A bid that is not submitted electronically through wvOASIS should contain the information listed below on the face of the envelope or the bid may be rejected by the Purchasing Division.:

SEALED BID: RFQ FOR ANNUAL AUDIT SERVICE

BUYER: Brittany Ingraham

SOLICITATION NO.: CRFQ LOT1900000004

BID OPENING DATE: April 17, 2019

BID OPENING TIME: 1:30 PM EDT

FAX NUMBER: 304-558-3970

The Purchasing Division may prohibit the submission of bids electronically through wvOASIS at its sole discretion. Such a prohibition will be contained and communicated in the wvOASIS system resulting in the Vendor's inability to submit bids through wvOASIS. Submission of a response to an Expression of Interest or Request for Proposal is not permitted in wvOASIS.

For Request For Proposal ("RFP") Responses Only: 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 N/A 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: (This only applies to CRFP)

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 confirmation of delivery is provided by wvOASIS (in the case of electronic submission) or when the bid is time stamped by the official Purchasing Division time clock (in the case of hand delivery).

Bid Opening Date and Time: April 17, 2019 at 1:30 PM EDT

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.

10. ALTERNATE MODEL OR BRAND: Unless the box below is checked, any model, brand, or specification listed in this Solicitation 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.

This Solicitation is based upon a standardized commodity established under W. Va. Code § 5A-3-61. Vendors are expected to bid the standardized commodity identified. Failure to bid the standardized commodity will result in your firm's bid being rejected.

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. 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.

13. 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.

14. UNIT PRICE: Unit prices shall prevail in cases of a discrepancy in the Vendor's bid.

15. PREFERENCE: Vendor Preference may be requested in purchases of motor vehicles or construction and maintenance equipment and machinery used in highway and other infrastructure projects. Any request for preference must be submitted in writing with the bid, must specifically identify the preference requested with reference to the applicable subsection of West Virginia Code § 5A-3-37, and should include with the bid any information necessary to evaluate and confirm the applicability of the requested preference. A request form to help facilitate the request can be found at:
<http://www.state.wv.us/admin/purchase/vrc/Venpref.pdf>.

15A. RECIPROCAL PREFERENCE: The State of West Virginia applies a reciprocal preference to all solicitations for commodities and printing in accordance with W. Va. Code § 5A-3-37(b). In effect, non-resident vendors receiving a preference in their home states, will see that same preference granted to West Virginia resident vendors bidding against them in West Virginia. A request form to help facilitate the request can be found at:
<http://www.state.wv.us/admin/purchase/vrc/Venpref.pdf>.

16. SMALL, WOMEN-OWNED, OR MINORITY-OWNED BUSINESSES: For any solicitations publicly advertised for bid, 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 contract award 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.

17. 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.

18. ELECTRONIC FILE ACCESS RESTRICTIONS: Vendor must ensure that its submission in wvOASIS can be accessed and viewed by the Purchasing Division staff immediately upon bid opening. The Purchasing Division will consider any file that cannot be immediately accessed and viewed at the time of the bid opening (such as, encrypted files, password protected files, or incompatible files) to be blank or incomplete as context requires, and are therefore unacceptable. A vendor will not be permitted to unencrypt files, remove password protections, or resubmit documents after bid opening to make a file viewable if those documents are required with the bid. A Vendor may be required to provide document passwords or remove access restrictions to allow the Purchasing Division to print or electronically save documents provided that those documents are viewable by the Purchasing Division prior to obtaining the password or removing the access restriction.

19. NON-RESPONSIBLE: The Purchasing Division Director reserves the right to reject the bid of any vendor as Non-Responsible in accordance with W. Va. Code of State Rules § 148-1-5.3, when the Director determines that the vendor submitting the bid does not have the capability to fully perform, or lacks the integrity and reliability to assure good-faith performance.”

20. ACCEPTANCE/REJECTION: The State may accept or reject any bid in whole, or in part in accordance with W. Va. Code of State Rules § 148-1-4.5. and § 148-1-6.4.b.”

21. YOUR SUBMISSION IS A PUBLIC DOCUMENT: Vendor’s entire response to the Solicitation and the resulting Contract are public documents. As public documents, they will be disclosed to the public following the bid/proposal opening or award of the contract, as required by the competitive bidding laws of West Virginia Code §§ 5A-3-1 et seq., 5-22-1 et seq., and 5G-1-1 et seq. and the Freedom of Information Act West Virginia Code §§ 29B-1-1 et seq.

DO NOT SUBMIT MATERIAL YOU CONSIDER TO BE CONFIDENTIAL, A TRADE SECRET, OR OTHERWISE NOT SUBJECT TO PUBLIC DISCLOSURE.

Submission of any bid, proposal, or other document to the Purchasing Division constitutes your explicit consent to the subsequent public disclosure of the bid, proposal, or document. The Purchasing Division will disclose any document labeled “confidential,” “proprietary,” “trade secret,” “private,” or labeled with any other claim against public disclosure of the documents, to include any “trade secrets” as defined by West Virginia Code § 47-22-1 et seq. All submissions are subject to public disclosure without notice.

22. INTERESTED PARTY DISCLOSURE: West Virginia Code § 6D-1-2 requires that the vendor submit to the Purchasing Division a disclosure of interested parties to the contract for all contracts with an actual or estimated value of at least \$1 Million. That disclosure must occur on the form prescribed and approved by the WV Ethics Commission prior to contract award. A copy of that form is included with this solicitation or can be obtained from the WV Ethics Commission. This requirement does not apply to publicly traded companies listed on a national or international stock exchange. A more detailed definition of interested parties can be obtained from the form referenced above.

23. WITH THE BID REQUIREMENTS: In instances where these specifications require documentation or other information with the bid, and a vendor fails to provide it with the bid, the Director of the Purchasing Division reserves the right to request those items after bid opening and prior to contract award pursuant to the authority to waive minor irregularities in bids or specifications under W. Va. CSR § 148-1-4.6. This authority does not apply to instances where state law mandates receipt with the bid.

GENERAL TERMS AND CONDITIONS:

1. CONTRACTUAL AGREEMENT: Issuance of a Award Document 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. "Bid" or "Proposal" means the vendors submitted response to this solicitation.

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

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

2.5. "Purchasing Division" means the West Virginia Department of Administration, Purchasing Division.

2.6. "Award Document" 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 contract holder.

2.7. "Solicitation" means the official notice of an opportunity to supply the State with goods or services that is published by the Purchasing Division.

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

2.9. "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: **Initial Contract Term:** This Contract becomes effective on _____ upon award _____ and extends for a period of _____ one (1) _____ 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 delivered to the Agency and then 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. Unless otherwise specified below, renewal of this Contract is limited to _____ two (2) _____ successive one (1) year periods or multiple renewal periods of less than one year, provided that the multiple renewal periods do not exceed the total number of months available in all renewal years combined. Automatic renewal of this Contract is prohibited. Renewals must be approved by the Vendor, Agency, Purchasing Division and Attorney General's office (Attorney General approval is as to form only)

Alternate Renewal Term – This contract may be renewed for _____ successive _____ year periods or shorter periods provided that they do not exceed the total number of months contained in all available renewals. Automatic renewal of this Contract is prohibited. Renewals must be approved by the Vendor, Agency, Purchasing Division and Attorney General's office (Attorney General approval is as to form only)

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

Fixed Period Contract with Renewals: This Contract becomes effective upon Vendor's receipt of the notice to proceed and part of the Contract more fully described in the attached specifications must be completed within _____ days. Upon completion of the work covered by the preceding sentence, the vendor agrees that maintenance, monitoring, or warranty services will be provided for _____ year(s) thereafter.

One Time Purchase: The term of this Contract shall run from the issuance of the Award Document until all of the goods contracted for have been delivered, but in no event will 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 Award Document 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. 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.

7. REQUIRED DOCUMENTS: All of the items checked below must be provided to the Purchasing Division by the Vendor as specified below.

BID BOND (Construction Only): Pursuant to the requirements contained in W. Va. Code § 5-22-1(c), All Vendors submitting a bid on a construction project shall furnish a valid 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 100% of the contract. The performance bond must be received by the Purchasing Division prior to Contract award.

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 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. Notwithstanding the foregoing, West Virginia Code § 5-22-1 (d) mandates that a vendor provide a performance and labor/material payment bond for construction projects. Accordingly, substitutions for the performance and labor/material payment bonds for construction projects is not permitted.

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.

LICENSE(S) / CERTIFICATIONS / PERMITS: In addition to anything required under the Section of the General Terms and Conditions entitled Licensing, 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.

Certified Public Accountant

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.

8. INSURANCE: The apparent successful Vendor shall furnish proof of the insurance identified by a checkmark below and must include the State as an additional insured on each policy prior to Contract award. The insurance coverages identified below must be maintained throughout the life of this contract. Thirty (30) days prior to the expiration of the insurance policies, Vendor shall provide the Agency with proof that the insurance mandated herein has been continued. Vendor must also provide Agency with immediate notice of any changes in its insurance policies, including but not limited to, policy cancelation, policy reduction, or change in insurers. 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 in this section.

Vendor must maintain:

Commercial General Liability Insurance in at least an amount of: 1,000,000.00 per occurrence.

Automobile Liability Insurance in at least an amount of: 500,000.00 per occurrence.

Professional/Malpractice/Errors and Omission Insurance in at least an amount of: _____ per occurrence.

Commercial Crime and Third Party Fidelity Insurance in an amount of: _____ per occurrence.

Cyber Liability Insurance in an amount of: _____ per occurrence.

Builders Risk Insurance in an amount equal to 100% of the amount of the Contract.

Pollution Insurance in an amount of: _____ per occurrence.

Aircraft Liability in an amount of: _____ per occurrence.

Notwithstanding anything contained in this section to the contrary, the Director of the Purchasing Division reserves the right to waive the requirement that the State be named as an additional insured on one or more of the Vendor's insurance policies if the Director finds that doing so is in the State's best interest.

9. WORKERS' COMPENSATION INSURANCE: The apparent successful Vendor shall comply with laws relating to workers compensation, shall maintain workers' compensation insurance when required, and shall furnish proof of workers' compensation insurance upon request.

10. [Reserved]

11. LIQUIDATED DAMAGES: 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. Vendor shall pay liquidated damages in the amount specified below or as described in the specifications:

_____ for _____

Liquidated Damages Contained in the Specifications

12. ACCEPTANCE: Vendor's signature on its bid, or on the certification and signature page, constitutes an offer to the State that cannot be unilaterally withdrawn, signifies that the product or service proposed by vendor meets the mandatory requirements contained in the Solicitation for that product or service, unless otherwise indicated, and signifies acceptance of the terms and conditions contained in the Solicitation unless otherwise indicated.

13. 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. Notwithstanding the foregoing, Vendor must extend any publicly advertised sale price to the State and invoice at the lower of the contract price or the publicly advertised sale price.

14. PAYMENT IN ARREARS: 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.

15. PAYMENT METHODS: Vendor must accept payment by electronic funds transfer and P-Card. (The State of West Virginia's Purchasing Card program, administered under contract by a banking institution, processes payment for goods and services through state designated credit cards.)

16. 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.

17. ADDITIONAL FEES: Vendor is not permitted to charge additional fees or assess additional charges that were not either expressly provided for in the solicitation published by the State of West Virginia or included in the unit price or lump sum bid amount that Vendor is required by the solicitation to provide. Including such fees or charges as notes to the solicitation may result in rejection of vendor's bid. Requesting such fees or charges be paid after the contract has been awarded may result in cancellation of the contract.

18. 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.

19. 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 also cancel any purchase or Contract upon 30 days written notice to the Vendor in accordance with West Virginia Code of State Rules § 148-1-5.2.b.

20. TIME: Time is of the essence with regard to all matters of time and performance in this Contract.

21. 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.

22. COMPLIANCE WITH LAWS: Vendor shall comply with all applicable federal, state, and local laws, regulations and ordinances. By submitting a bid, Vendor acknowledges that it has reviewed, understands, and will comply with all applicable laws, regulations, and ordinances.

SUBCONTRACTOR COMPLIANCE: Vendor shall notify all subcontractors providing commodities or services related to this Contract that as subcontractors, they too are required to comply with all applicable laws, regulations, and ordinances. Notification under this provision must occur prior to the performance of any work under the contract by the subcontractor.

23. 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.

24. 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). Any change to existing contracts that adds work or changes contract cost, and were not included in the original contract, must be approved by the Purchasing Division and the Attorney General's Office (as to form) prior to the implementation of the change or commencement of work affected by the change.

25. 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.

26. 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.

27. 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.

28. 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.

29. 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.

30. PRIVACY, SECURITY, AND 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>.

31. YOUR SUBMISSION IS A PUBLIC DOCUMENT: Vendor's entire response to the Solicitation and the resulting Contract are public documents. As public documents, they will be disclosed to the public following the bid/proposal opening or award of the contract, as required by the competitive bidding laws of West Virginia Code §§ 5A-3-1 et seq., 5-22-1 et seq., and 5G-1-1 et seq. and the Freedom of Information Act West Virginia Code §§ 29B-1-1 et seq.

DO NOT SUBMIT MATERIAL YOU CONSIDER TO BE CONFIDENTIAL, A TRADE SECRET, OR OTHERWISE NOT SUBJECT TO PUBLIC DISCLOSURE.

Submission of any bid, proposal, or other document to the Purchasing Division constitutes your explicit consent to the subsequent public disclosure of the bid, proposal, or document. The Purchasing Division will disclose any document labeled "confidential," "proprietary," "trade secret," "private," or labeled with any other claim against public disclosure of the documents, to include any "trade secrets" as defined by West Virginia Code § 47-22-1 et seq. All submissions are subject to public disclosure without notice.

32. LICENSING: In accordance with West Virginia Code of State Rules § 148-1-6.1.e, 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. Obligations related to political subdivisions may include, but are not limited to, business licensing, business and occupation taxes, inspection compliance, permitting, etc. 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.

SUBCONTRACTOR COMPLIANCE: Vendor shall notify all subcontractors providing commodities or services related to this Contract that as subcontractors, they too are required to be licensed, in good standing, and up-to-date on all state and local obligations as described in this section. Obligations related to political subdivisions may include, but are not limited to, business licensing, business and occupation taxes, inspection compliance, permitting, etc. Notification under this provision must occur prior to the performance of any work under the contract by the subcontractor.

33. ANTITRUST: In submitting a bid to, signing a contract with, or accepting a Award Document 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.

34. VENDOR CERTIFICATIONS: By signing its bid or entering into this Contract, Vendor certifies (1) that its bid or offer was made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership, person or entity submitting a bid or offer for the same material, supplies, equipment or services; (2) that its bid or offer 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 Solicitation in its entirety; understands the requirements, terms and conditions, and other information contained herein.

Vendor's signature on its bid or offer 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 or offer on behalf of Vendor certifies that he or she is authorized by the Vendor to execute this bid or offer 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.

35. 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.

36. 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.

37. PURCHASING AFFIDAVIT: In accordance with West Virginia Code §§ 5A-3-10a and 5-22-1(i), the State is prohibited from awarding a contract to any bidder that owes a debt to the State or a political subdivision of the State, Vendors are required to sign, notarize, and submit the Purchasing Affidavit to the Purchasing Division affirming under oath that it is not in default on any monetary obligation owed to the state or a political subdivision of the state.

38. ADDITIONAL AGENCY AND LOCAL GOVERNMENT USE: This Contract may be utilized by 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”), provided that both the Other Government Entity and the Vendor agree. Any extension of this Contract to the aforementioned Other Government Entities must be on the same prices, terms, and conditions as those offered and agreed to in this Contract, provided that such extension is in compliance with the applicable laws, rules, and ordinances of the Other Government Entity. A refusal to extend this Contract to the Other Government Entities shall not impact or influence the award of this Contract in any manner.

39. CONFLICT OF INTEREST: Vendor, its officers or members or employees, shall not presently have or acquire an 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.

40. 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.

41. 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.

Revised 01/24/2019

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

42. 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:
 - c. 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
 - d. 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.

43. 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.

44. INTERESTED PARTY SUPPLEMENTAL DISCLOSURE: W. Va. Code § 6D-1-2 requires that for contracts with an actual or estimated value of at least \$1 million, the vendor must submit to the Agency a supplemental disclosure of interested parties reflecting any new or differing interested parties to the contract, which were not included in the original pre-award interested party disclosure, within 30 days following the completion or termination of the contract. A copy of that form is included with this solicitation or can be obtained from the WV Ethics Commission. This requirement does not apply to publicly traded companies listed on a national or international stock exchange. A more detailed definition of interested parties can be obtained from the form referenced above.

DESIGNATED CONTACT: Vendor appoints the individual identified in this Section as the Contract Administrator and the initial point of contact for matters relating to this Contract.

Suttle & Stalnaker, PLLC
(Name, Title)
Chris Lambert, CPA, CGMA, CCIFP, Member
(Printed Name and Title)
1411 Virginia Street East, Suite 100, Charleston, WV 25301
(Address)
304-343-4126 / 304-343-8008
(Phone Number) / (Fax Number)
CSLambert@suttlecpas.com
(email address)

CERTIFICATION AND SIGNATURE: By signing below, or submitting documentation through wvOASIS, I certify that I have reviewed this Solicitation in its entirety; that I understand the requirements, terms and conditions, and other information contained herein; that this bid, offer or proposal constitutes an offer to the State that cannot be unilaterally withdrawn; that the product or service proposed meets the mandatory requirements contained in the Solicitation for that product or service, unless otherwise stated herein; that the Vendor accepts the terms and conditions contained in the Solicitation, unless otherwise stated herein; that I am submitting this bid, offer or proposal for review and consideration; that I am authorized by the vendor to execute and submit this bid, offer, or proposal, or any documents related thereto on vendor's behalf; that I am authorized to bind the vendor in a contractual relationship; and that to the best of my knowledge, the vendor has properly registered with any State agency that may require registration.

Suttle & Stalnaker, PLLC
(Company)

 Chris Lambert, CPA, CGMA, CCIFP, Member
(Authorized Signature) (Representative Name, Title)

Chris Lambert, CPA, CGMA, CCIFP, Member
(Printed Name and Title of Authorized Representative)

04/17/2019
(Date)

304-343-4126 / 304-343-8008
(Phone Number) (Fax Number)

REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

SPECIFICATIONS

- 1. PURPOSE AND SCOPE:** The West Virginia Purchasing Division is soliciting bids on behalf of the West Virginia Lottery to establish a fixed term contract to provide the Lottery with Audit and Management Advisory Services for the fiscal year ending June 30, 2019. It is anticipated that a contract awarded from this solicitation will be effective: July 01, 2019.

These Services were previously solicited as CRFQ LOT1600000005 and opened on: 04/26/2016. Vendors may view received solicitation responses at: <http://www.state.wv.us/admin/purchase/Bids/FY2016/BO20160426.html> . Vendor's are encouraged to review specifications and requirements closely as specifications most likely have changed since last time solicited.

1.1 Location: The West Virginia Lottery Headquarters is located at 900 Pennsylvania Ave., Charleston, WV. A regional office is located at 100 Municipal Plaza, Suite 500, Weirton, WV. A back-up data computer facility is located at 64 Sterling Dr., Bridgeport, WV.

1.2 Background: A copy of the Lottery's most recent unaudited monthly financial statements are enclosed for extensive background information about the Lottery (see **Attachment "B"**). The "Lottery Games Operations" portion of Note 2 to these financial statements provides an overview of the organization. Also, to view the CAFR (as defined below) for June 30, 2018, please visit <http://www.wvlottery.com/aboutus/annualreports.aspx> It is mandatory that the successful vendor will be intricately involving in providing assistance to the Lottery in preparation of the CAFR and will be present on site at the Lottery to make reviews, calculations, and graphic presentations in the body of the CAFR and provide personal guidance and assistance to Lottery staff.

1.2.1 FINANCE DIVISION: The Finance Division is managed by a deputy director, a chief accountant, and two (2) accounting managers and consists of ten (10) other active employees.

1.2.2 Computer Systems – Traditional Lottery Operations: A daily reconciliation of online operations is performed on the Lottery's computer by means of a set of software procedures called the Internal Control Systems (ICS). IGT Global Solutions Corporation (IGT), the current online and instant games vendor, provides Lottery with log files of all online transactions recorded during the day's activities. Lottery processes these file on its ICS computer and processes them through the ICS. While doing this, ICS:

- A) Verifies that the correct date is being processed
- B) Processes the transactions and the drawings occurring on that day

REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

- C) Produces prize reports similar to those provided by IGT after each drawing is held, which are reconciled to IGT prize reports
- D) Produces control total reports. Lottery balances to these reports by comparison to similar reports printed by IGT during their end of day processing. If the transactions processed by ICS do not balance with those processed by IGT, ICS will generate a report of all retailers who are not in balance and the amount (either plus or minus) by which they differ.

Accounting reports are generated on a daily and weekly basis and provide financial data for sales, cancels (discontinued tickets), accounts receivable, prizes paid and remaining liabilities. Drawing reports which give handle (total) amounts and prizes won are produced daily for Daily 3, Daily 4, and Travel Keno, semi-weekly for Powerball®, Mega Millions®, and Lotto America® and four days a week for Cash 25.

Electronic fund transfer files are produced on a weekly basis of all outstanding instant and/or online retailer balances. These files are processed by the State Treasurer's Office to transfer funds from the retailer bank accounts to the Lottery bank account.

Personal computers are used throughout the Lottery's finance division to summarize daily and weekly reports of sales, prize liability, and payout activities provided by IGT and the Connexus video systems. Personal computers are also used to accumulate, classify and summarize personnel services and other administrative expenses accrued by Lottery for use in producing the monthly journal entries for the financial statements and other related reports. Microsoft Great Plains Dynamics General Ledger software is used to produce the monthly financial statements.

The Lottery also regulates racetrack video lottery, limited video lottery, table games, and sports wagering across the state. Each of the state's four racetracks, located in Jefferson county, Hancock county, Ohio county, and Kanawha county, operate racetrack video lottery terminals, table games, and sports wagering. The Lottery also regulates a limited gaming facility located in Greenbrier County. The limited gaming facility currently operates video lottery terminals, table games and sports wagering.

Racetrack Video Lottery (RVL), as of March 20, 2019 5,663 TITO (Ticket In Ticket Out) machines available for play at the four racetracks in West Virginia. The daily reports are reviewed for accuracy before total gross terminal income from each track is swept to the Lottery through electronic transfer of funds. Settlements are distributed weekly to recipients as allowed by the Racetrack Video Lottery Act, W.Va. Code §29-22A-1 *et seq.*

**REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES**

Limited Video Lottery (LVL), as of March 20, 2019, has approximately 7,669 machines available for play throughout the state in retail locations restricted for adult amusement. LVL permit holder funds are electronically swept on a monthly basis.

Table games, as of March 20, 2019, has approximately 250 tables available for play at the state's 4 racetracks. Racetracks submit a weekly ACH tax remittance and tax return for the thirty-five percent privilege tax on adjusted gross receipts generated through table games.

The Limited Gaming facility, as of March 20, 2019, has approximately 37 tables and 225 video machines. A weekly tax return and tax remittance is submitted for the thirty-five percent privilege tax on adjusted gross receipts through table games. The Lottery sweeps fifty-three percent of total gross terminal income from video lottery on a weekly basis.

Sports Wagering is located at the state's 4 racetracks and the Limited Gaming facility. They submit a weekly ACH tax remittance and tax return for the ten percent sports wagering tax on gaming revenue.

The following is a listing of computer hardware and software used by the Lottery and its vendors. The online/instant system is subject to a SOC 1, Type 2. The Connexus system used for video lottery is an agency-owned-and-operated system for which the Vendor will need to perform such tests as necessary to achieve their reasonable comfort level:

| | | | |
|--------------------|---------------------------------|----------------------------------|---|
| Online/Instant | IGT Aurora | IBM 3500 Cisco IBM P52 | Windows Servers, Switches, Routers, Firewalls and Linux Linux |
| Video | Scientific Games Connexus | Connexus HP ProLiant Cisco | Windows Server 2012, SQL 2016 Switches, Routers, and Firewalls |
| Lottery ICS | IGT/Elsym Adtran | IBM 3500 | Windows Server 2003/RHAS |
| Lottery/Accounting | N/A | Personal Computers | Windows/Excel, Access, Word Microsoft Dynamics GP |

1.2.3 Internal Audit Function: The Lottery has maintained an internal audit function for more than 20 years. The Compliance Officer is responsible for the internal audit function. Presently, the Lottery's internal audit staff comprises three individuals, who will be available as needed during the audit.

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.

REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

- 2.1 **“Connexus”** means the central management system used to record and monitor all data related to the Lottery’s video lottery operations. The system is maintained by Scientific Games.
- 2.2 **“AICPA”** means American Institute of Certified Public Accountants.
- 2.3 **“CAFR”** means Comprehensive Annual Financial Report.
- 2.4 **“Contract Services”** means technical accounting services, accounting reporting assistance and financial auditing services in accordance with generally accepted accounting practices (GAAP), generally accepted auditing standards (GAAS), Statement of Auditing Standards No. 99 (SAS 99) and any other that may apply, as well as the requirements of the State Lottery Act (W.Va Code § 29-22-1 *et seq.*), Racetrack Video Lottery Act (§ 29-22A-1 *et seq.*), Limited Video Lottery Act (§29-22B-101 *et seq.*), Table Games Act (§29-22C-1 *et seq.*), Limited Gaming Facility Act (§29-25-1 *et seq.*) and Sports Wagering Act (§29-22D-1 *et seq.*).
- 2.5 **“FARS”** means the Financial Accounting and Reporting Section of the West Virginia Department of Administration.
- 2.6 **“GAAS”** means Generally Accepted Auditing Standards, which are sets of standards against which the quality of audits are performed and may be judged.
- 2.7 **“GASB”** means Governmental Accounting Standards Board.
- 2.8 **“GFOA”** means Government Finance Officers Association.
- 2.9 **“Pricing Page”** means the pages upon which Vendor should list its proposed price for the contract services. The Pricing Page is attached hereto as Exhibit “A”.
- 2.10 **“Solicitation”** means the official notice of an opportunity to supply the state with goods or services that is published by the Purchasing Division.
- 2.11 **“SOC 1 TYPE 2”** means Statement on Standards for Attestation Engagements No. 16, a regulation created by the Auditing Standards Board of the American Institute of Certified Public Accountants for redefining and updating how service companies report on compliance controls.
3. **QUALIFICATIONS:** Vendor shall have the following minimum qualifications:
- 3.1 The Vendor must have a minimum of six (6) CPA’s in the firm. The Vendor shall certify that is has read and understand the statutory provisions governing the operation of gaming in WV and shall be conversant concerning those statutes while engaged in the audit. IF the successful Vendor substitutes staff for the account, at any time during the term of the contract or potential renewal or extension years, the experience and

REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

qualifications levels must be of a similar quality to the level of those initially proposed. The Lottery reserves the right to request staff changes throughout the term of the contract.

- 3.2** Compliance with experience requirements will be determined prior to contract award by the State through references provided by the Vendor with its bid or upon request. Vendor should provide a current resume which includes information regarding the number of years of qualification, experience and training, and relevant professional education for each individual that will be assigned to this project. Vendor must provide any documentation requested by the State to assist in confirmation of compliance with this provision. References, documentation, or other information to confirm compliance with the experience requirement are preferred with bid submission but may be requested after bid opening and prior to contract award.
- 3.3** The Lottery has the right to refuse the services of any on-site employee of the successful Vendor based on the employee's competence or criminal background. All management, supervisory, and key personnel who will be active in the audit shall be subject to initial and periodic background checks using the Lottery's electronic fingerprint capture system. An individual shall be removed from supporting the contract as an outcome of adverse results from the background checks. The Lottery will only refuse the services of an individual if that individual has a conviction for any violation of W. Va. Code §29-22-1 *et seq.*, §29-22A-1 *et seq.*, §29-22B-1 *et seq.*, §29-22C-1 *et seq.*, or §29-25-1 *et seq.* (Code sections available at <http://www.wvlottery.com/about-us/rules-regulations>), or for any felony, or any crime involving moral turpitude, or any other crime that may have bearing upon the individual's fitness to support the contract.
- 3.4** The successful Vendor shall have access to Agency's private and confidential data maintained by Lottery to the extent required to carry out the duties and responsibilities defined in this RFQ. The successful Vendor agrees to maintain confidentiality and security of the data made available.
- 3.5** An affirmative statement must be submitted indicating that the firm and all assigned key professional staff are properly licensed to practice in West Virginia. It is preferred that this is provided with the bid, however, will be requested prior to award.

4. MANDATORY REQUIREMENTS:

4.1 Mandatory Contract Services Requirements and Deliverables: Contract Services must meet or exceed the mandatory requirements listed below.

4.1.1 The Lottery seeks a qualified certified public accounting firm to audit its financial statements for the fiscal year ending June 30, 2019, with the option to audit for each of the two (2) subsequent fiscal years. Additionally, the successful Vendor is to provide services that will ensure the successful filing of the Lottery annual

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CAFR. The Lottery will seek advice from the successful Vendor on accounting matter of Lottery operations and changes in accounting standards. The Lottery expects the successful Vendor to be proactive in advising the Lottery on these issues.

IGT is the online and instant ticket vendor the fiscal year ending June 30, 2019. The Lottery had a SOC 1, Type 2 audit. The Lottery also contracts with IGT for printing instant tickets. No other outside audits or reviews of the Lottery computer systems is scheduled. The successful Vendor must assure its own comfort with other Lottery based gaming systems and internal systems.

4.1.2 SCOPE of WORK: The Lottery requires the successful Vendor to express an opinion on the fair presentation of financial statements in conformity with U.S. GAAP and standards established by the GASB of the AICPA. Additionally, the successful Vendor will be required to prepare all supporting schedules relating to the Lottery that are required for the preparation of the state's CAFR. These schedules are specified on an annual basis by the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration and must be filed with FARS by October 15, 2019 and each potential renewal or extension year.

The successful Vendor shall also be responsible for assisting in the implementation of required supplementary information required by GASB as mandated by the AICPA and utilize GAAS. This assistance requires personal inter relationship of the online vendor and Lottery staff.

4.1.3 The Lottery Commission requires an independent and objective auditing firm. The firm must provide an affirmative statement that it is independent of the Lottery as defined by GAAS and the U.S. General Accounting Office's Government Auditing Standards (1988). The firm must also provide an affirmative statement that it is independent of the State of West Virginia and any other component units of that entity, as defined by those same standards.

4.1.4 REPORTS: Following the completion of the audit of the fiscal year's financial statements, the Vendor shall issue a report on the fair presentation of the financial statements in conformity with U.S. GAAP and in format to comply with GASB standards established by the AICPA.

In addition, the Vendor is to provide an "in-relation-to" report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements.

The Vendor shall communicate in a letter to the Lottery's authorized representative any reportable conditions found during the audit. A "reportable condition" shall be defined as a significant deficiency in the design or operation

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of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

4.1.5 IRREGULARITIES and ILLEGAL ACTS: The Vendor shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the following parties:

- a) Lottery director;
- b) Lottery General Counsel;
- c) Lottery compliance officer; and
- d) Finance/Audit Committee of the Lottery

4.1.6 REPORTING TO LOTTERY FINANCE / AUDIT COMMITTEE: The Vendor shall report to the Lottery's Financial/Audit committee each of the following within sixty (60) days of the issuance of the audit:

- a) The Vendor responsibility under GAAS
- b) Significant Accounting policies
- c) Management judgements and accounting estimates
- d) Significant audit adjustments
- e) Other information in documents containing audited financial statements
- f) Disagreements with management
- g) Major issues discussed with management prior to retention
- h) Difficulties encountered in performing the audit

4.1.7 SPECIAL CONSIDERATIONS: The Lottery will send its CAFR to the GFOA of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting Program. The successful audit firm shall assign auditors with at least three (3) years of experience in filing successful CAFR reports to work on the Lottery's CAFR. The Vendor will be required to provide special assistance to the Lottery to meet the requirements of that program which include:

- a) Advising the agency on the technical standards necessary to file a CAFR for an enterprise fund

REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

- b) Reviewing the agency's CAFR documents and assist in the development of meaningful statistical charts and data by providing direct on-site assistance to the Lottery staff
- d) Formulating the Vendor report to be included in the CAFR
- e) Proofreading the CAFR prior to filing to assure financial data and context of discussions are appropriate and in compliance with GFOA standards
- f) Preparing schedules, charts and graphs to be strategically placed in the CAFR

The financial statements of the Lottery are to be included as a component unit of the financial statements of the State of West Virginia. The Vendor will be required to provide special assistance to the State of West Virginia's auditors and the Department of Administration's Financial Accounting Reporting Section.

4.1.8 WORKING PAPERS RETENTION and ACCESS to WORKING PAPERS:

All working papers and reports must be retained, at the Vendor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the Lottery of the need to extend the retention period. The Vendor will be required to make working papers available, upon request, to the Lottery.

In addition, the successful Vendor shall respond to the reasonable inquiries by the Lottery or its successor auditors and allow its successor auditors to review working papers relating to the matters of continuing account significance.

4.1.9 The Vendor's principal contact will be the Compliance Officer, who will coordinate the assistance to be provided by the Lottery to the successful Vendor.

4.1.10 DATE AUDIT MAY COMMENCE: The Lottery will have records ready for audit and management personnel available to meet with the firm's personnel after its June 30, 2019 year end.

The successful vendor shall have drafts of the audit report(s) and recommendations to management available for review by Deputy Director of Finance and internal auditors by August 31st immediately following the fiscal year-end being audited.

The Deputy Director of Finance will complete a review of the draft report as expeditiously as possible. During that period, the successful Vendor must be available for any meetings that may be necessary to discuss the audit reports.

The successful Vendor shall prepare the final financial statements, notes, management letter and all required supplementary schedules and statistical data by the second Friday of September immediately following the fiscal year-end being audited.

REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

The following reports must be delivered to the Deputy Director of Finance:

- a) Financial Statements with Additional Information – statewide CAFR, ten (10) copies
- b) Audit results – Management Letter, twenty (20) copies
- c) Financial Statements, fifty (50) copies

The successful Vendor must be present at such times as necessary to provide assistance to Lottery staff in filing the Lottery CAFR. CAFR work will be supported from September 10, 2019 to December 31, 2019 of each year to be audited.

4.1.11 ASSISTANCE to be PROVIDED to the VENDOR and REPORT PREPARATION: The finance department and management staff will be available during the audit to assist the successful Vendor by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the successful Vendor.

4.1.11.1 The Compliance Officer and two (2) individuals on the internal audit staff will be available as needed.

4.1.11.2 The Lottery will provide the Vendor with reasonable workspace, desks, and chairs. The Vendor will also be provided with access to telephone lines, photocopying, and fax machines as appropriate.

4.1.11.3 Report preparation, editing, and printing shall be the responsibility of the Vendor.

5. CONTRACT AWARD:

5.1 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 Total Bid Amount as shown on the Pricing Pages. This contract will be awarded for one year with two optional renewals.

Contract will be evaluated based on the Total Bid Amount and awarded for the first year only.

5.1.1 Renewal options for years 2 and 3 will be initiated by the Agency, agreed to by the Vendor and Processed by the West Virginia Purchasing Division as Change Orders for subsequent years.

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WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

- 5.2 Pricing Page:** Vendor should complete the Pricing Page by providing a total, all-inclusive price incorporating professional fees and expenses for all services described in this solicitation, including but not limited to the annual financial audit, preparation of the Lottery CAFR, and preparation of schedules to comply with the Lottery filings required to support the State audit of the Lottery's financials and State-level CAFR. Vendor should provide a separate price to provide these services for each of FY 2019, FY2020, and FY 2021, as well as a Total Bid Amount that is the sum of all three pieces. 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 or clearly print the information into the Pricing Page to prevent errors in the evaluation. If Vendor is submitting bid online, Vendor must submit Pricing Page as attachment. TOTAL BID AMOUNT is the amount Vendor is to enter into wvOASIS commodity line when submitting. Notwithstanding the foregoing, the Purchasing Division may correct errors at its discretion.

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

- 6. PAYMENT:** Agency shall pay Lump Sum, as shown on the Pricing Pages, for all Contract Services performed and accepted under this Contract. Vendor shall accept payment in accordance with the payment procedures of the State of West Virginia.

7. VENDOR DEFAULT:

- 7.1** The following shall be considered a vendor default under this Contract.

7.1.1 Failure to provide Contract Items in accordance with the requirements contained herein.

7.1.2 Failure to comply with other specifications and requirements contained herein.

7.1.3 Failure to comply with any laws, rules, and ordinances applicable to the Contract Services provided under this Contract.

7.1.4 Failure to remedy deficient performance upon request.

- 7.2** The following remedies shall be available to Agency upon default.

7.2.1 Immediate cancellation of the Contract.

7.2.2 Immediate cancellation of one or more release orders issued under this Contract.

7.2.3 Any other remedies available in law or equity.

REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

8. **TRAVEL:** Vendor shall be responsible for all mileage and travel costs, including travel time, associated with performance of this Contract. Any anticipated mileage or travel costs may be included in the flat fee or hourly rate listed on Vendor's bid, but such costs will not be paid by the Agency separately.
9. **FACILITIES ACCESS:** Performance of Contract Services may require access cards and/or keys to gain entrance to Agency's facilities. In the event that access cards and/or keys are required:
- 9.1 Vendor must identify principal service personnel which will be issued access cards and/or keys to perform service.
- 9.2 Vendor will be responsible for controlling cards and keys and will pay replacement fee, if the cards or keys become lost or stolen.
- 9.3 Vendor shall notify Agency immediately of any lost, stolen, or missing card or key.
- 9.4 Anyone performing under this Contract will be subject to Agency's security protocol and procedures.
- 9.5 Vendor shall inform all staff of Agency's security protocol and procedures.

10. MISCELLANEOUS:

- 10.1 **Contract Manager:** During its performance of this Contract, Vendor must designate and maintain a primary contract manager responsible for overseeing Vendor's responsibilities under this Contract. The Contract manager must be available during normal business hours to address any customer service or other issues related to this Contract. Vendor should list its Contract manager and his or her contact information below.

Contract Manager: Chris Lambert, CPA, CGMA, CCIFP, Member

Telephone Number: 304-343-4126

Fax Number: 304-343-8008

Email Address: CSLambert@suttlecpas.com

REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

11. BY SUBMISSION OF THIS COST BID THE VENDOR CERTIFIES AND AGREES TO THE FOLLOWING:

- 11.1** That the Vendor understands the Lottery's need to obtain highly skilled audit and accomplished accounting services and advice needed to ensure accomplishment of the reliance placed on these by bond rating agencies, State of West Virginia Legislature & Governor's Office, the public, and the many users of the national gaming industry.
- 11.2** That the Vendor will prepare all work necessary and work with the Lottery staff to ensure the Lottery's annual CAFR is filed by the due date of December 31st of each year that the contract is in effect, and that the information contained within the submissions complies with all applicable accounting standards and the filing requirements of the GFOA of the United States and Canada.
- 11.3** That the Vendor has certified public accountants assigned to the Lottery work who understand traditional, instant and online gaming (to include the automated computer systems used to account for these operations), RVL, (to include the automated central computer system), LVL (with related central computer system applications), racetrack table games operations, and limited gaming facility operations of table games and video lottery (central computer system). The Vendor is responsible for understanding the West Virginia statutes, legislative rules, and internal policies which control and define the accounting for each of the above game types. The Lottery requires that all partners, audit managers, and senior accountants assigned to the Lottery work be certified public accountants with a license to practice in West Virginia, and who have a minimum of five (5) years of auditing experience of gaming lotteries, and five (5) years governmental auditing of state level agencies.
- 11.4** That the Vendor will make itself available to the Lottery on short notice to give advice to the Lottery on changes in accounting practices, changes in the law, and engage in general accounting discussions on the appropriate treatment of transactions which may present themselves and which may affect their presentation in the Lottery's financial statements or in the course of internal auditing functions.
- 11.5** That the Vendor certifies its compliance with all other required certifications or requirements listed as listed in the body of this RFQ.

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WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

EXHIBIT A

PRICING PAGE
FLAT FEE PRICING

| DESCRIPTION | YEAR | COST |
|--|-------------------------|---------------|
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2019 | \$ 40,000.00 |
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2020 | \$ 41,000.00 |
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2021 | \$ 42,000.00 |
| | TOTAL BID AMOUNT | \$ 123,000.00 |

Vendor: Suttle & Stalnaker, PLLC

Signature: Chris Lambert

Date: 04/17/2019

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EXHIBIT B
FEBRUARY 28, 2019 UNAUDITED FINANCIAL STATEMENTS
SEE ATTACHED

WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

**FINANCIAL STATEMENTS
-UNAUDITED-**

February 28, 2019

WEST VIRGINIA LOTTERY

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WEST VIRGINIA LOTTERY
STATEMENT OF NET POSITION
(In Thousands)
-Unaudited-

| ASSETS | February 28, 2019 | June 30, 2018 |
|---|----------------------|-------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 168,450 | \$ 146,661 |
| Accounts receivable | 27,633 | 32,136 |
| Inventory | 757 | 529 |
| Other assets | 1,342 | 1,175 |
| Total Current Assets | <u>198,182</u> | <u>180,501</u> |
| | | |
| Capital assets | 61,552 | 61,552 |
| Less accumulated depreciation and amortization | <u>(14,621)</u> | <u>(13,505)</u> |
| Net Capital Assets | <u>46,931</u> | <u>48,047</u> |
| | | |
| Total Noncurrent Assets | <u>46,931</u> | <u>48,047</u> |
| | | |
| Total Assets | <u>\$ 245,113</u> | <u>\$ 228,548</u> |
| | | |
| Deferred outflows of resources | <u>\$ 1,339</u> | <u>\$ 1,339</u> |
| | | |
| Total assets and deferred outflows | <u>\$ 246,452</u> | <u>\$ 229,887</u> |
| | | |
| Current Liabilities: | | |
| Accrued nonoperating distributions to the State of West Virginia | \$ 140,953 | \$ 120,860 |
| Estimated prize claims | 14,934 | 15,783 |
| Accounts payable | 1,445 | 1,581 |
| Other accrued liabilities | 32,547 | 35,090 |
| Total Current Liabilities | <u>189,879</u> | <u>173,314</u> |
| | | |
| Deferred inflows | <u>\$ 1,374</u> | <u>1,374</u> |
| | | |
| Net Position: | | |
| Net Investment in capital assets | 46,931 | 48,047 |
| Unrestricted | <u>8,268</u> | <u>7,152</u> |
| Total Net Position | <u>55,199</u> | <u>55,199</u> |
| | | |
| Total net position, liabilities, and deferred inflows | <u>\$ 246,452</u> | <u>\$ 229,887</u> |

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FIVE MONTH PERIOD ENDED FEBRUARY 28, 2019

(In Thousands)
- Unaudited -

| | CURRENT MONTH | | YEAR TO DATE | |
|--|------------------|------------------|------------------|------------------|
| | FY 2019 | FY 2018 | FY 2019 | FY 2018 |
| Lottery revenues | | | | |
| On-line games | \$ 5,481 | \$ 5,480 | \$ 57,339 | \$ 53,739 |
| Instant games | 9,241 | 8,182 | 73,746 | 62,451 |
| Racetrack video lottery | 40,119 | 38,221 | 328,911 | 327,033 |
| Limited video lottery | 32,312 | 31,531 | 253,898 | 235,569 |
| Table games | 2,620 | 3,006 | 23,366 | 23,346 |
| Historic resort | 538 | 430 | 5,012 | 4,320 |
| Sports wagering | 70 | - | 808 | - |
| | <u>90,381</u> | <u>86,850</u> | <u>743,080</u> | <u>706,458</u> |
| Less commissions | | | | |
| On-line games | 387 | 384 | 4,018 | 3,755 |
| Instant games | 645 | 573 | 5,151 | 4,372 |
| Racetrack video lottery | 19,506 | 18,444 | 175,913 | 174,577 |
| Limited video lottery | 15,833 | 15,450 | 124,410 | 115,429 |
| Table games | 1,111 | 1,275 | 9,911 | 9,898 |
| Historic resort | 251 | 203 | 2,576 | 2,304 |
| | <u>37,733</u> | <u>36,329</u> | <u>321,979</u> | <u>310,335</u> |
| Less on-line prizes | 2,812 | 2,734 | 28,523 | 27,217 |
| Less instant prizes | 6,175 | 5,408 | 49,397 | 41,119 |
| Less ticket costs | 86 | 95 | 773 | 807 |
| Less vendor fees and costs | 152 | 401 | 4,672 | 4,987 |
| | <u>9,225</u> | <u>8,638</u> | <u>83,365</u> | <u>74,130</u> |
| Gross profit | <u>43,423</u> | <u>41,883</u> | <u>337,736</u> | <u>321,993</u> |
| Administrative expenses | | | | |
| Advertising and promotions | 480 | 64 | 3,638 | 3,452 |
| Wages and related benefits | 825 | 792 | 6,866 | 6,441 |
| Telecommunications | 85 | 56 | 547 | 534 |
| Contractual and professional | 1,284 | 503 | 4,772 | 3,086 |
| Rental | 13 | 16 | 138 | 105 |
| Depreciation and amortization | 140 | 104 | 1,116 | 818 |
| Other administrative expenses | 102 | 90 | 985 | 955 |
| | <u>1,929</u> | <u>1,625</u> | <u>18,062</u> | <u>15,391</u> |
| Other Operating Income | <u>129</u> | <u>130</u> | <u>2,743</u> | <u>3,834</u> |
| Operating Income | <u>40,623</u> | <u>40,388</u> | <u>322,417</u> | <u>310,436</u> |
| Nonoperating income (expense) | | | | |
| Investment income | 326 | 71 | 2,186 | 805 |
| Distributions to municipalities and counties | (633) | (618) | (4,976) | (4,617) |
| Distributions -capital reinvestment | (763) | (766) | (1,519) | (1,599) |
| Distributions to the State of West Virginia | (39,553) | (39,075) | (318,108) | (305,025) |
| | <u>(40,623)</u> | <u>(40,388)</u> | <u>(322,417)</u> | <u>(310,436)</u> |
| Net income | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net position, beginning of period | <u>55,199</u> | <u>53,019</u> | <u>55,199</u> | <u>53,019</u> |
| Net position, end of period | <u>\$ 55,199</u> | <u>\$ 53,019</u> | <u>\$ 55,199</u> | <u>\$ 53,019</u> |

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE EIGHT MONTH PERIOD ENDED FEBRUARY 28, 2019

(In Thousands)
-Unaudited-

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Cash received from customers and other sources | \$ 750,326 | \$ 708,038 |
| Cash payments for: | | |
| Personnel costs | (6,866) | (6,441) |
| Suppliers | (9,611) | (8,103) |
| Other operating costs | (403,985) | (379,920) |
| Cash provided by operating activities | <u>329,864</u> | <u>313,574</u> |
| Cash flows from noncapital financing activities: | | |
| Nonoperating distributions to the State of West Virginia | (298,015) | (327,276) |
| Distributions to municipalities and counties | (4,955) | (4,546) |
| Distributions from racetrack cap. reinv. fund | (7,092) | (6,488) |
| Cash used in noncapital financing activities | <u>(310,062)</u> | <u>(338,310)</u> |
| Cash flows from capital and related financing activities: | | |
| Purchases of capital assets | <u>-</u> | <u>(1,562)</u> |
| Cash flows from investing activities: | | |
| Investment earnings received | <u>1,987</u> | <u>989</u> |
| Increase (decrease) in cash and cash equivalents | 21,789 | (25,309) |
| Cash and cash equivalents - beginning of period | <u>146,661</u> | <u>156,550</u> |
| Cash and cash equivalents - end of period | <u>\$ 168,450</u> | <u>\$ 131,241</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 322,417 | \$ 310,436 |
| Adjustments to reconcile operating income to cash provided by operating activities: | | |
| Depreciation and amortization | 1,116 | 818 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 4,503 | (2,254) |
| (Increase) decrease in inventory | (228) | - |
| (Increase) decrease in other assets | 32 | 6 |
| Increase (decrease) in estimated prize claims | (849) | 853 |
| Increase (decrease) in accounts payable | (136) | (21) |
| Increase (decrease) in other accrued liabilities | 3,009 | 3,736 |
| Cash provided by operating activities | <u>\$ 329,864</u> | <u>\$ 313,574</u> |

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 1 - LEGISLATIVE ENACTMENT

The West Virginia Lottery (Lottery) was established by the State Lottery Act (Act) passed April 13, 1985, which created a special fund in the State Treasury designated as the "State Lottery Fund." The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (Commission) and a director. The Commission, consisting of seven members and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games and to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45% of the gross amount received from each lottery shall be allocated for prizes and also provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be distributed to the State of West Virginia. As the State is able to impose its will over the Lottery, the Lottery is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a blended proprietary fund component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Lottery is presented below.

BASIS OF PRESENTATION – The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*," the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 unless the GASB specifically adopts such FASB statements or interpretations.

The Lottery is included in the State's basic financial statements as a proprietary fund and business type activity using the accrual basis of accounting. Because of the Lottery's presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences in presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LOTTERY GAME OPERATIONS – The West Virginia Lottery derives its revenues from four basic types of lottery games: instant, on-line, video type games, and table games. The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. All bonded retailers and agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

The Lottery has contracted with a private vendor to manufacture, distribute, and provide data processing support for instant and on-line games. Under the terms of the agreements, the Lottery pays a percentage of gross revenues or gross profits for the processing and manufacture of the games.

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL®, a multi-state “jackpot” game; Mega Millions®, a multi-state “jackpot” game; Cash25 “lotto” game; Daily 3 and 4 “numbers” games; and Travel, a daily “keno” game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of seven percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent’s on-line terminal may be rendered inactive if payment is not received each week. No one retailer or agent accounts for a significant amount of the Lottery’s sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

Video lottery is a self-activated video version of lottery games which is operated by an authorized licensee. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins, currency, or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The video lottery games’ prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as video lottery revenue “gross terminal income” equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions. WV Lottery statutes have established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), limited licensed retailer areas restricted for adult amusement, and licensed historic resort hotels as defined by WV Code.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The legislation further stipulates the distribution of revenues from video lottery games, and requires any video lottery licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Table games are lotteries as each game involves consideration, the possibility of a prize, and their outcome is determined predominantly by chance, which the common law of West Virginia has long held are the three essential elements of a lottery. Table games are the exclusive intangible intellectual property of the state of West Virginia. Table games legislation has established specific requirements for table games and imposed certain restrictions limiting the licensing for operation of table games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), and licensed historic resort hotels as defined by WV Code. Each licensee as an agent of the Lottery Commission to operate West Virginia table games shall have written rules of play for each table game it operates which must be approved by the Commission. All wagers and pay-offs of winning wagers shall be made according to those rules of play. For the privilege of holding a table games license, there is levied a privilege tax of thirty-five percent of each licensee's adjusted gross receipts for the operation of West Virginia Lottery table games. Amounts required by statute to be paid to private and local government entities are reported as commissions. The legislation further stipulates the distribution of revenues from West Virginia table games, and requires any licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents primarily consist of interest-earning deposits in an external investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The BTI pool is a 2a-7 like pool carried at amortized cost which approximates fair value of the underlying securities.

INVENTORY – Inventory consists of instant game tickets available for sale to approved Lottery retailers and is carried at cost as determined by the specific identification method.

OTHER ASSETS – Other assets consist of deposits restricted for payment of certain Multi-State Lottery Association activities and prepaid expenses.

CAPITAL ASSETS – The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000. These assets include leasehold improvements and purchased equipment, comprised principally of technology property, office furnishings and equipment necessary to administer lottery games, are carried at cost. Depreciation is computed by the straight-line method using three to ten year lives.

ADVERTISING AND PROMOTIONS – The Lottery expenses the costs of advertising and promotions as they are incurred.

COMPENSATED ABSENCES – The Lottery has accrued \$631,080 and \$573,725 at June 30, 2018 and 2017, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in another postemployment benefits plan (see Note 16).

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION – Net position is presented as restricted, unrestricted and net investment in capital assets which represent the net book value of all property and equipment of the Lottery. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

OPERATING REVENUES AND EXPENSES – Operating revenues and expenses for proprietary funds such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Lottery are derived from providing various types of lottery games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 3 - CASH AND CASH EQUIVALENTS

At February 28, 2019 the carrying amounts of deposits (overdraft) with financial institutions were \$470 thousand with a bank balance (overdraft) of \$570 thousand. Of this balance \$250 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia’s agent in the State’s name.

A summary of the amount on deposit with the West Virginia Board of Treasury Investments (BTI) is as follows (in thousands):

| | February 28, 2019 | June 30, 2018 |
|---|-------------------|---------------|
| Deposits with financial institutions | \$ 470 | \$ 489 |
| Cash on hand at the Treasurer’s Office | 17,768 | 5,022 |
| Investments with BTI reported as cash equivalents | 150,212 | 141,150 |
| | \$ 168,450 | \$ 146,661 |

The deposits with the BTI are part of the State of West Virginia’s consolidated investment cash liquidity pool. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 4 – CAPITAL ASSETS

A summary of capital asset activity for the month ended February 28, 2019 is as follows (in thousands):

Capital Assets:

| | Historical Cost At June 30, 2018 | Additions | Deletions | Historical Cost At February 28, 2019 |
|----------------------------------|-------------------------------------|-----------------|-------------|---|
| Construction in Progress | \$ 629 | \$ - | \$ - | \$ 629 |
| Buildings | 48,243 | - | - | 48,243 |
| Land | 1,681 | - | - | 1,681 |
| Equipment | 10,999 | - | - | 10,999 |
| | <u>\$ 61,552</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 61,552</u> |
| Accumulated Depreciation: | | | | |
| | Historical Cost At June 30, 2018 | Additions | Deletions | Historical Cost At February 28, 2019 |
| Buildings | \$ 6,466 | \$ 822 | \$ - | \$ 7,288 |
| Equipment | 7,039 | 294 | - | 7,333 |
| | <u>\$ 13,505</u> | <u>\$ 1,116</u> | <u>\$ -</u> | <u>\$ 14,621</u> |

NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game, the LOTTO AMERICA® game, and the MEGA MILLIONS® jackpot game on behalf of participating state lotteries. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Lotto America, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit. A copy of the audit may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, LOTTO AMERICA®, and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended February 28, 2019 and fiscal year-to-date is as follows:

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)

| <u>Revenues</u> | <u>Month</u> | <u>Y-T-D</u> |
|-----------------|--------------|---------------|
| Powerball | \$ 2,243,839 | \$ 20,865,960 |
| Lotta America | 425,409 | 3,364,244 |
| Mega Millions | 1,122,343 | 18,897,723 |
| Total | \$ 3,791,591 | \$ 43,127,927 |

| <u>Expenses (Prizes)</u> | <u>Month</u> | <u>Y-T-D</u> |
|--------------------------|--------------|---------------|
| Powerball | \$ 1,126,474 | \$ 10,444,242 |
| Lotta America | 212,707 | 1,682,403 |
| Mega Millions | 572,426 | 9,778,753 |
| Total | \$ 1,911,607 | \$ 21,905,398 |

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. The applicable sales percentage contribution as well as the reserve fund limit for the MUSL games is as follows:

| | <u>PowerBall</u> | <u>Lotto America</u> | <u>Mega Millions</u> |
|------------------------------------|------------------|----------------------|----------------------|
| Required Contribution (% of sales) | 2% | 3% | 1% |
| Reserve Fund Cap | \$125,000,000 | \$9,000,000 | \$45,000,000 |

At February 28, 2019, the Lotteries share of the prize reserve fund balances were as follows:

| <u>Game</u> | <u>Total Prize Reserve</u> | <u>Lottery Share</u> |
|---------------|----------------------------|----------------------|
| Powerball | \$ 120,894,552 | \$ 1,553,687 |
| Lotto America | 2,433,440 | 177,514 |
| Mega Millions | 89,227,812 | 1,023,108 |
| Total | \$ 212,555,804 | \$ 2,754,309 |

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)

principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$14,462,489 at February 28, 2019, of which the Lottery's share was \$1,317,752.

NOTE 6 - RACETRACK VIDEO LOTTERY

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks and has been amended again by HB 101 as passed during the first extraordinary session of 2014. For a complete summary of the impacts of HB 101, see Note 11 titled "Summary Impact of Recent Legislation." Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (57%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (46.5%); other private entities associated with the racing industry (8.7%); and the local county and municipal governments (2%). The remaining revenues (42.8%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 11 titled "Nonoperating Distributions to the State of West Virginia."

The first benchmark occurs when the current year net terminal revenue meets the fiscal year 1999 net terminal revenue. The counties and incorporated municipalities split 50/50 the two percent (2%) net terminal revenue.

The second benchmark occurs when the current year gross terminal revenue meets the fiscal year 2001 gross terminal revenue. The four percent (4%) is no longer allocated for lottery administrative costs; instead the State receives this for distribution as specified by legislation or the State budget.

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack.

After deduction of the surcharge, 49% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (5%); and the local county and incorporated municipality governments (2%).

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 6 - RACETRACK VIDEO LOTTERY (continued)

The remaining net terminal revenue (51%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 11.

Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund.

The WV Lottery, along with the Ohio, Rhode Island, Maryland, and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of .74% of the amount wagered. A summary of racetrack video lottery revenues for the month ended February 28, 2019 and fiscal year-to-date follows (in thousands):

| | Current Month | | Year-to-Date | |
|----------------------------------|------------------|------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Total credits played | \$ 427,693 | \$ 414,833 | \$ 3,619,970 | \$ 3,664,463 |
| Credits (prizes) won | (381,821) | (371,488) | (3,243,068) | (3,287,133) |
| Promotional credits played | (5,753) | (5,121) | (47,991) | (50,275) |
| MWAP Contributions | - | (3) | - | (22) |
| Gross terminal income | 40,119 | 38,221 | 328,911 | 327,033 |
| Administrative costs | (780) | (697) | (11,493) | (11,317) |
| Net Terminal Income | 39,339 | 37,524 | 317,418 | 315,716 |
| Less distribution to agents | (19,506) | (18,444) | (175,913) | (174,577) |
| Racetrack video lottery revenues | <u>\$ 19,833</u> | <u>\$ 19,080</u> | <u>\$ 141,505</u> | <u>\$ 141,139</u> |

A summary of video lottery revenues paid or accrued for certain state funds to conform to the legislation as follows (in thousands):

| | February 28, 2019 | Year-to-Date |
|-----------------------------------|-------------------|-------------------|
| State Lottery Fund | \$ 5,613 | \$ 83,953 |
| State Excess Lottery Revenue Fund | 13,471 | 56,195 |
| Capital Reinvestment Fund | 749 | 1,357 |
| Total nonoperating distributions | <u>\$ 19,833</u> | <u>\$ 141,505</u> |

NOTE 7 - LIMITED VIDEO LOTTERY

Limited video lottery legislation passed in 2001 has established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 7 - LIMITED VIDEO LOTTERY (continued)

stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses.

A summary of limited video lottery revenues for the month ended February 28, 2019 and fiscal year-to-date follows (in thousands):

| | Current Month | | Year-to-Date | |
|--------------------------------|------------------|------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Total credits played | \$ 410,297 | \$ 389,303 | \$ 3,215,296 | \$ 2,916,330 |
| Credits (prizes) won | (377,985) | (357,772) | (2,961,398) | (2,680,761) |
| Gross terminal income | \$ 32,312 | \$ 31,531 | \$ 253,898 | \$ 235,569 |
| Administrative costs | (646) | (631) | (5,078) | (4,711) |
| Gross Profit | 31,666 | 30,900 | 248,820 | 230,858 |
| Commissions | (15,833) | (15,450) | (124,410) | (115,429) |
| Municipalities and Counties | (633) | (618) | (4,976) | (4,617) |
| Limited video lottery revenues | <u>\$ 15,200</u> | <u>\$ 14,832</u> | <u>\$ 119,434</u> | <u>\$ 110,812</u> |

NOTE 8 - TABLE GAMES

Table Games legislation passed in 2007 per House Bill 2718. Table games include blackjack, roulette, craps, and various types of poker. Each racetrack licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts which will be deposited weekly into the Racetrack Table Games Fund.

From the gross amounts deposited into the Racetrack Table Games Fund, the Commission, on a monthly basis shall:

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two percent of the adjusted gross receipts from each licensed racetrack to the county commissions of the counties where racetracks with West Virginia Lottery table games are located. Transfer three percent of the adjusted gross receipts from each licensed racetrack to the governing bodies of municipalities within counties where racetracks with West Virginia Lottery table games are located as prescribed by statute. And transfer one-half of one percent of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located to be divided equally among the municipalities. The commission will distribute the remaining amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 8 – TABLE GAMES (continued)

- 1) Transfer four percent into a special fund to be established by the Racing Commission to be used for payment into the pension plan for all employees of each licensed racing association;
- 2) Transfer ten percent, to be divided and paid in equal shares, to each county commission in the state where table games are not located;
- 3) Transfer ten percent, to be divided and paid in equal shares, to the governing bodies of each municipality in the state where table games are not located; and
- 4) Transfer seventy-six percent to the State Excess Lottery Revenue Fund.

The cash transferred to the State Excess Lottery Revenue Fund in the current month is included in Note 11- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended February 28, 2019 were \$7,486,055 and \$66,759,409, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

| | Current Month | | Year-to-Date | |
|--|-----------------|-----------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Table Games Privilege Tax | \$ 2,620 | \$ 3,006 | \$ 23,366 | \$ 23,346 |
| Interest on Table Games Fund | 6 | 4 | 44 | 25 |
| Administrative costs | (225) | (258) | (2,003) | (2,001) |
| Total Available for Distribution | <u>2,401</u> | <u>2,752</u> | <u>21,407</u> | <u>21,370</u> |
| <u>Less Distributions:</u> | | | | |
| Racetrack Purse Funds | 168 | 193 | 1,502 | 1,501 |
| Thoroughbred & Greyhound Development Funds | 135 | 155 | 1,202 | 1,201 |
| Racing Association Pension Plan | 66 | 76 | 589 | 588 |
| Municipalities/ Counties | 742 | 851 | 6,618 | 6,608 |
| Total Distributions | <u>1,111</u> | <u>1,275</u> | <u>9,911</u> | <u>9,898</u> |
| Excess Lottery Fund | <u>\$ 1,290</u> | <u>\$ 1,477</u> | <u>\$ 11,496</u> | <u>\$ 11,472</u> |

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – HISTORIC RESORT HOTEL

In 2009, the Legislature passed Senate Bill 575 which permits video lottery and table games at a licensed historic resort hotel which is defined as “a resort hotel registered with the United States Department of the Interior as a national historic landmark in its National Registry of Historic Places having not fewer than five hundred guest rooms under common ownership and having substantial recreational guest amenities in addition to the gaming facility.”

Historic Resort Video Lottery

According to Senate Bill 575, thirty six percent (36%) of gross terminal income is allocated to Historic Resort Hotel Fund and seventeen percent (17%) of gross terminal income is allocated to the Human Resource Benefit Fund. The remaining forty-seven percent (47%) of gross terminal income is then subject to a ten percent (10%) surcharge which is allocated to separate capital reinvestment funds for each licensed historic resort hotel. The remaining forty-two and three-tenths percent (42.3%) of gross terminal income is retained by the historic resort hotel.

A summary of historic resort hotel video lottery revenues for the month ended February 28, 2019 and fiscal year-to-date follows (in thousands):

| | 2019 | 2018 | 2019 | 2018 |
|-----------------------------|----------|----------|-----------|-----------|
| Total credits played | \$ 6,383 | \$ 4,868 | \$ 58,727 | \$ 52,410 |
| Credits (prizes) won | (5,972) | (4,575) | (54,611) | (48,740) |
| Promotional credits played | (109) | (43) | (658) | (473) |
| Gross terminal income | 302 | 250 | 3,458 | 3,197 |
| Capital reinvestment | (14) | (11) | (162) | (150) |
| Excess Lottery Fund | (3) | (2) | (31) | (29) |
| Administrative costs | (16) | (14) | (187) | (173) |
| Hotel commissions | (128) | (105) | (1,463) | (1,352) |
| Net terminal income | 141 | 118 | 1,615 | 1,493 |
| Historic Resort Hotel Fund | 90 | 75 | 1,027 | 950 |
| Human Resource Benefit Fund | 51 | 43 | 588 | 543 |

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 9 – HISTORIC RESORT HOTEL (continued)

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month and year ended February 28, 2019 were \$673,038 and \$4,440,359, respectively.

The following table shows the month and fiscal year -to- date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------|-------------|-------------|-------------|-------------|
| Table games privilege tax | \$ 236 | \$ 180 | \$ 1,554 | \$ 1,123 |
| Administrative Costs | (30) | (23) | (200) | (144) |
| Total Available for Distribution | 206 | 157 | 1,354 | 979 |
| Historic Resort Hotel Fund | 172 | 131 | 1,132 | 819 |
| Human Resource Benefit Fund | 34 | 26 | 222 | 160 |

Historic Resort Hotel Fund

Of the monies deposited into the Historic Resort Hotel Fund, fifteen percent (15%) is allocated for lottery administrative costs. The remaining Historic Resort Hotel Fund net income (gross deposits less 15%) is distributed as follows:

- 1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
- 2) Four percent (4%) is paid to the county where the gaming facility is located;
- 3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 5) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

A summary of Historic Resort Hotel Fund revenues and related distributions is as follows (in thousands):

| | <u>Current Month</u> | <u>Year-to-Date</u> |
|--|----------------------|---------------------|
| Historic Resort Hotel Video Lottery | \$ 90 | \$ 1,027 |
| Historic Resort Table Games | 172 | 1,132 |
| Interest on Historic Resort Hotel Fund | 1 | 7 |
| Historic Resort Hotel Fund Net Income | 263 | 2,166 |
| Municipalities/ Counties | 38 | 303 |
| Excess Lottery Fund | 225 | 1,863 |
| Total Distributions | <u>\$ 263</u> | <u>\$ 2,166</u> |

**WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-**

NOTE 10- SPORTS WAGERING

Sports Wagering legislation passed in 2018 per Senate Bill 415. Each racetrack and historic resort hotel licensee is subject to a privilege tax of ten percent (10%) of adjusted gross wagering receipts which will be deposited weekly into the Sports Wagering Fund.

From the privilege tax deposited into the Sports Wagering Fund, the Commission, on a monthly basis shall:

Retain 15% for administrative expenses of which any surplus in excess of \$250,000 shall be reported to the Joint Committee on Government and Finance and remitted to the State Treasurer.

After the reduction for administrative expenses, the net profit shall be deposited into the State Lottery Fund until a total of \$15 million is deposited. The remainder of net profit shall be deposited into the Public Employees Insurance Agency Financial Stability Fund.

The Sports Wagering adjusted gross wagering receipts for the month and year-to-date periods ended February 28, 2019 were \$699,074 and \$8,082,020, respectively. The following table shows the month and year-to-date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

| | Current Month | | Year-to-Date | |
|---|---------------|----------|--------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Sports Wagering Privilege Tax | \$ 70 | \$ - | \$ 808 | \$ - |
| Interest on Sports Waging Fund | - | - | - | - |
| Administrative Costs | (10) | - | (121) | - |
| Total Available for Distribution | 60 | - | 687 | - |

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 11- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2019 the State Legislature budgeted \$129,298,650 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$5,300,000 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. For the month ended February 28, 2019 the Lottery has accrued additional distributions of \$140,952,912. The Lottery is a non-appropriated state agency and therefore does not have a legally adopted annual budget.

A summary of the cash distributions made to certain state agencies to conform to the legislation follows (in thousands):

| <u>BUDGETARY DISTRIBUTIONS</u> | <u>February 28, 2019</u> | <u>Year-to-Date</u> |
|------------------------------------|--------------------------|---------------------|
| <u>State Lottery Fund:</u> | | |
| Community and Technical College | \$ 500 | \$ 3,998 |
| Bureau of Senior Services | | 45,169 |
| Department of Education | | 18,527 |
| Library Commission | | 11,454 |
| Higher Education-Policy Commission | | 7,084 |
| Tourism | | 6,550 |
| Natural Resources | | 3,196 |
| Division of Culture & History | | 4,078 |
| Department of Education & Arts | | 250 |
| Economic Development Authority | 999 | 7,995 |
| School Building Authority | 1,800 | 14,400 |
| Total State Lottery Fund | <u>\$ 3,299</u> | <u>\$ 122,701</u> |

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

State Excess Lottery Revenue Fund:

| | | |
|--|------------------|-------------------|
| Economic Development Fund | \$ 2,102 | \$ 16,816 |
| Higher Education Improvement Fund | 1,500 | 12,000 |
| General Purpose Account | 6,995 | 39,632 |
| Higher Education Improvement Fund | 3,121 | 17,682 |
| State Park Improvement Fund | 538 | 3,048 |
| School Building Authority | 1,899 | 15,191 |
| Refundable Credit | 906 | 1,715 |
| WV Racing Commission | 215 | 1,219 |
| WV Department of Health and Human Resources | | |
| Teacher's Retirement Savings | | |
| Division of Human Services | | 8,000 |
| WV Lottery Statutory Transfers | 5,383 | 30,499 |
| General Revenue | | - |
| Excess Lottery Surplus | | - |
| West Va. Infrastructure Council | 4,904 | 29,189 |
| Total State Excess Lottery Revenue Fund | \$ 27,563 | \$ 174,991 |
| Total Budgetary distributions: | \$ 30,862 | \$ 297,692 |
| Veterans Instant Ticket Fund | \$ 42 | \$ 323 |
| Total nonoperating distributions to the State of West Virginia (cash basis) | \$ 30,904 | \$ 298,015 |
| Accrued nonoperating distributions, beginning | (132,304) | (120,860) |
| Accrued nonoperating distributions, end | 140,953 | 140,953 |
| | \$ 39,553 | \$ 318,108 |

NOTE 12 – LEASES

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the fiscal year-to-date ended February 28, 2019 and February 28, 2018 approximated \$138,318 and \$105,433 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended February 28, 2019 and February 28, 2018 approximated \$721,540 and \$684,990 respectively.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 – COMMITMENTS

For the years ended June 30, 2018 and 2017 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2018 and 2017, \$9,414,970 and \$9,460,433, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

NOTE 14 - RETIREMENT BENEFITS

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Ave. S.E., Charleston, West Virginia 25304-1636.

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater 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 average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees hired prior to July 1, 2015 are required to contribute 4.5% of their salary to the PERS. Covered employees hired on or after July 1, 2015 will contribute 6.0% of their salary to the PERS Tier II. The Lottery is required to contribute 13.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending February 28, 2019 and fiscal year-to-date are as follows (in thousands):

| | February 28, 2019 | Year-to-Date |
|------------------------|-------------------|--------------|
| Employee contributions | \$ 28 | \$ 240 |
| Lottery contributions | 60 | 524 |
| Total contributions | \$ 88 | \$ 764 |

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 15 - RISK MANAGEMENT

The Lottery is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery participates in several risk management programs administered by the State of West Virginia. Each of these risk pools has issued separate audited financial reports on their operations. Those reports include the required supplementary information concerning the reconciliation of claims liabilities by type of contract and ten-year claim development information. Complete financial statements of the individual insurance enterprise funds can be obtained directly from their respective administrative offices.

WORKERS' COMPENSATION INSURANCE

The Lottery carries workers compensation insurance coverage through a commercial insurance carrier. The commercial insurance carrier is paid a monthly rated premium to provide compensation for injuries sustained in the course of employment.

PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan. PEIA has fully transferred the risks of coverage to the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 16- OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Lottery participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund (Trust), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57th Street, South East, Suite 2, Charleston, West Virginia, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The ARC rate is \$357 and \$429 per employee per month for the years ending June 30, 2017 and 2016 respectively. Through June 30, 2017 and 2016, the Lottery has paid premiums of \$288,942 and \$284,421. As of June 30, 2017 and 2016, the Lottery has recorded a liability of \$5,206,989 and \$4,990,361 on its balance sheet for OPEB.

REQUEST FOR QUOTATION
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

EXHIBIT A

PRICING PAGE
FLAT FEE PRICING

| DESCRIPTION | YEAR | COST |
|--|-------------------------|---------------|
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2019 | \$ 40,000.00 |
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2020 | \$ 41,000.00 |
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2021 | \$ 42,000.00 |
| | TOTAL BID AMOUNT | \$ 123,000.00 |

Vendor: Suttle & Stalnaker, PLLC

Signature: Chris Lambert

Date: 04/17/2019