

Cost proposal to provide
auditing services to the

State of West Virginia

CRFP Number: FAR2300000001

March 7, 2023

Submitted by: Ernst & Young LLP
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WV Purchasing Division



Title page

CRFP subject: An audit of the State of West Virginia Annual Comprehensive Annual
Financial Report (AACFR)

RFQ number: FAR2300000001

Vendor's name: Ernst & Young LLP

Business address: 900 United Center, 500 Virginia Street East, Charleston, WV 25301

Telephone number: +1 304 357 5974

Fax number: +1 304 357 5994

Name of contact person: Susan P. Wheeler

E-mail address: susan.wheeler@ey.com

Vendor signature:

Ernst & Young LLP

by

Susan Wheeler

Date: March 7, 2023

Attachment A: Cost sheet

Ernst & Young's estimated fees

We are pleased to present the following fee estimates for the annual financial statement audits of the State of West Virginia. Our fee estimates are based upon our understanding of your service needs as communicated by you to the prospective auditors during the CRFP process and as outlined in our Technical Response to your CRFP. Our fee estimates are based upon the quality inherent in our streamlined audit process, experienced professionals and quality control checks and safeguards we have in place. We feel such quality is an attribute that management should cultivate from its auditor, particularly in the current business environment. Such quality is our commitment to all of our clients and would be a central aspect of our continued working relationship with the State.

Cost Proposal for Fiscal Year 2023 (each item is an All-Inclusive Cost):	
ACFR cost should reflect any work necessary to implement any new GASB's including but not limited to GASB 91, 94, and 96	\$530,000
Single Audit cost should reflect work for up to and including 23 major programs (we currently have 22)	1,159,000
wvOASIS SSAE 16 Service Organization Control 1 Report	53,000
State Rail (separately published audit)	35,000
Total	\$1,777,000
Cost Proposal for Fiscal Year 2024 (each item is an All-Inclusive Cost):	
ACFR cost should reflect any work necessary to implement any new GASB's including but not limited to GASB 99 and 100	\$520,000
Single Audit cost should reflect work for up to and including 23 major programs (we currently have 22)	998,000
wvOASIS SSAE 16 Service Organization Control 1 Report	53,000
State Rail (separately published audit)	35,000
Total	\$1,606,000
Cost Proposal for Fiscal Year 2025 (each item is an All-Inclusive Cost):	
ACFR cost should reflect any work necessary to implement any new GASB's including but not limited to GASB 101	\$525,000
Single Audit cost should reflect work for up to and including 23 major programs (we currently have 22)	998,000
wvOASIS SSAE 16 Service Organization Control 1 Report	53,000
State Rail (separately published audit)	35,000
Total	\$1,611,000
Cost Proposal for Fiscal Year 2026 (each item is an All-Inclusive Cost):	
ACFR cost should reflect any work necessary to implement any new GASB's	\$520,000
Single Audit cost should reflect work for up to and including 23 major programs (we currently have 22)	998,000
wvOASIS SSAE 16 Service Organization Control 1 Report	53,000
State Rail (separately published audit)	35,000
Total	\$1,606,000
Grand Total of Cost Proposal for Fiscal Years 2023, 2024, 2025, and 2026	\$6,600,000

Note: We will absorb out-of-pocket expenses incurred conducting the audit.

In developing our fee assumptions, we reviewed the information provided in the CRFP and the responses to the Q&A. We note the following:

- Audits conducted in accordance with Generally Accepted Auditing Standards, Uniform Administrative Requirements, cost principles and Audit Requirements for Federal Award (Uniform Guidance), and *Governmental Auditing Standards*, issued by the Comptroller General of the United States.
- We will be spending at least 1/3 of our time on site.
- Based on the CRFP and Q&A, our quoted fee assumes that there will be 23 programs to be subject to audit in 2023, 2024, 2025 and 2026.
- While we are assuming 23 programs for all of the contract years, based on the current Federal regulations, we assumed that with respect to the Educational Stabilization fund that the HEERF monies will be spent by June 30, 2023, and any ESSAR monies would be spent by September 30, 2024. From the Q&A, we understand that this program is decentralized and more complex than other programs. The change in complexity is reflected our fees in years 2024, 2025 and 2026.
- Because of our commitment to and investment in our relationship with West Virginia, we have discounted our rates in the fee quote above for all four years of this contract by 40% of the FY2023 standard rates provided below.
- Our response considered the scope outlined in the CRFP and Q&A.
- We have assumed that the State will provide a central point of contact for the following programs: programs historically managed by DHHR and programs within the higher education system to assist in managing the timeliness of client assistance responses and availability of information.

We do not charge incremental fees for routine phone calls or minor consultations. Hours related to ongoing customary and periodic discussions of accounting and technical matters are included in our estimated hours above. We have included our proposed training sessions on the audit process within our fees.

For services that extend beyond the scope of our audit, we will discuss the scope, the estimated hours, and the estimated fee with management and/or those charged with governance prior to incurring time. These services will be invoiced at agreed-upon standard billing rates per hour based on the professional rank of the personnel involved and the leverage-mix of the personnel involved in the respective audit services.

Should it become necessary for the State to request Ernst & Young LLP to render any additional services either to supplement the services requested in your CRFP or to perform additional work unforeseen at the issuance of the CRFP, but necessary to fulfill results required in the CRFP, we will provide a written addendum to the contract between the State and Ernst & Young LLP. Any such additional work agreed to between the State and Ernst & Young LLP will be performed at the hourly rates for FY 2023 through FY 2026 according to the schedule below:

Personnel	FY 2023 hourly rate	FY 2024 hourly rate	FY 2025 hourly rate	FY 2026 hourly rate
Partner/Member/Managing Director	\$530	\$551	\$573	\$596
Senior Manager	430	447	465	484
Manager	380	395	411	427
Senior	270	281	292	304
Staff	160	166	173	180
FAIT Managing Director	530	551	573	596
FAIT Senior Manager	430	447	465	484
FAIT Manager	380	395	411	427
FAIT Senior	270	281	292	304
FAIT Staff	160	166	173	180
Actuary	530	551	573	596

State of West Virginia

VENDOR PREFERENCE CERTIFICATE

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

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

Bidder is an individual resident vendor and has resided continuously in West Virginia, or bidder is a partnership, association or corporation resident vendor and has maintained its headquarters or principal place of business continuously in West Virginia, for four (4) years immediately preceding the date of this certification; or,

Bidder is a resident vendor partnership, association, or corporation with at least eighty percent of ownership interest of bidder held by another entity that meets the applicable four year residency requirement; or,

Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification; or,

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

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

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

Bidder is a nonresident vendor that employs a minimum of one hundred state residents, or a nonresident vendor which has an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virginia and employs a minimum of one hundred state residents, and for purposes of producing or distributing the commodities or completing the project which is the subject of the bidder's bid and continuously over the entire term of the project, on average at least seventy-five percent of the bidder's employees or the bidder's affiliate's or subsidiary's employees are residents of West Virginia who have resided in the state continuously for the two immediately preceding years and the vendor's bid; or,

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

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

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

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

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

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

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

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

8. Application is made for reciprocal preference.

Bidder is a West Virginia resident and is requesting reciprocal preference to the extent that it applies.

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

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

Bidder hereby certifies that this certificate is true and accurate in all respects; and that if a contract is issued to Bidder and if anything contained within this certificate changes during the term of the contract, Bidder will notify the Purchasing Division in writing immediately.

Bidder: Ernst & Young LLP

Signed: [Signature]

Date: 3-7-23

Title: Partner

State of West Virginia

VENDOR PREFERENCE CERTIFICATE

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- Bidder is a resident vendor partnership, association, or corporation with at least eighty percent of ownership interest of bidder held by another entity that meets the applicable four year residency requirement; or,
- Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification; or,
- 2. **Application is made for 2.5% vendor preference for the reason checked:**
Bidder is a resident vendor who certifies that, during the life of the contract, on average at least 75% of the employees working on the project being bid are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; or,
- 3. **Application is made for 2.5% vendor preference for the reason checked:**
Bidder is a nonresident vendor that employs a minimum of one hundred state residents, or a nonresident vendor which has an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virginia and employs a minimum of one hundred state residents, and for purposes of producing or distributing the commodities or completing the project which is the subject of the bidder's bid and continuously over the entire term of the project, on average at least seventy-five percent of the bidder's employees or the bidder's affiliate's or subsidiary's employees are residents of West Virginia who have resided in the state continuously for the two immediately preceding years and the vendor's bid; or,
- 4. **Application is made for 5% vendor preference for the reason checked:**
Bidder meets either the requirement of both subdivisions (1) and (2) or subdivision (1) and (3) as stated above; or,
- 5. **Application is made for 3.5% vendor preference who is a veteran for the reason checked:**
Bidder is an individual resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard and has resided in West Virginia continuously for the four years immediately preceding the date on which the bid is submitted; or,
- 6. **Application is made for 3.5% vendor preference who is a veteran for the reason checked:**
Bidder is a resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard, if, for purposes of producing or distributing the commodities or completing the project which is the subject of the vendor's bid and continuously over the entire term of the project, on average at least seventy-five percent of the vendor's employees are residents of West Virginia who have resided in the state continuously for the two immediately preceding years.
- 7. **Application is made for preference as a non-resident small, women- and minority-owned business, in accordance with West Virginia Code §5A-3-59 and West Virginia Code of State Rules.**
Bidder has been or expects to be approved prior to contract award by the Purchasing Division as a certified small, women- and minority-owned business.
- 8. **Application is made for reciprocal preference.**
Bidder is a West Virginia resident and is requesting reciprocal preference to the extent that it applies.

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Bidder hereby certifies that this certificate is true and accurate in all respects; and that if a contract is issued to Bidder and if anything contained within this certificate changes during the term of the contract, Bidder will notify the Purchasing Division in writing immediately.

Bidder: Juttle & Stalaker, PLLC Signed: 
Date: 3/7/2023 Title: member

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

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

CONSTRUCTION CONTRACTS: Under W. Va. Code § 5-22-1(i), the contracting public entity shall not award a construction contract to any bidder that is known to be in default on any monetary obligation owed to the state or a political subdivision of the state, including, but not limited to, obligations related to payroll taxes, property taxes, sales and use taxes, fire service fees, or other fines or fees.

ALL OTHER CONTRACTS: Under W. Va. Code §5A-3-10a, no contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

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

DEFINITIONS:

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

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

"Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceeds five percent of the total contract amount.

AFFIRMATION: By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (W. Va. Code §61-5-3) that: (1) for construction contracts, the vendor is not in default on any monetary obligation owed to the state or a political subdivision of the state, and (2) for all other contracts, that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

WITNESS THE FOLLOWING SIGNATURE:

Vendor's Name: Ernst & Young LLP

Authorized Signature: *[Signature]* Date: March 7, 2023

State of West Virginia

County of Kanawha, to-wit:

Taken, subscribed, and sworn to before me this 7 day of March, 2023

My Commission expires December 31, 2025.

AFFIX SEAL HERE



NOTARY PUBLIC *[Signature]*

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

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ALL OTHER CONTRACTS: Under W. Va. Code §5A-3-10a, no contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

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

DEFINITIONS:

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

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

"Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

AFFIRMATION: By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (W. Va. Code §61-5-3) that: (1) for construction contracts, the vendor is not in default on any monetary obligation owed to the state or a political subdivision of the state, and (2) for all other contracts, that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

WITNESS THE FOLLOWING SIGNATURE:

Vendor's Name: Suttle & Stalnaker, PLLC

Authorized Signature: [Signature] Date: March 7, 2023

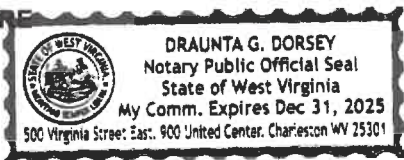
State of West Virginia

County of Kanawha, to-wit:

Taken, subscribed, and sworn to before me this 7 day of March, 2023

My Commission expires December 31, 2025

AFFIX SEAL HERE



NOTARY PUBLIC [Signature]

Exceptions and clarifications

As part of our response to the CRFP and the instructions under Section 2 Part 11 Exceptions and Clarifications, we have reviewed the terms and conditions set forth therein. While we are willing to enter into an engagement agreement based upon the proposed terms, we do have comments about certain of those terms and have set out those comments below. While we have tried to be thorough, we cannot guarantee we have identified all issues that may arise during the process of finalizing the engagement agreement. Our proposal to provide services is contingent on the execution of a mutually satisfactory engagement agreement between us and we expect to resolve any open items related to engagement terms to our mutual satisfaction.

8. Insurance - While we can agree to commercially reasonable Insurance requirements, we may need to seek certain changes to this section consistent with our firm policy on such matters. We have provided our insurance coverage as an Appendix to the CRFP.

11. Liquidated Damages - Due to the nature of the services we provide we generally do not view it as appropriate to agree to liquidated damage type provisions.

19. Cancellation - Due to the nature of the services that we provide, our agreements generally provide that we may terminate immediately if we reasonably determine that we can no longer provide the Services in accordance with applicable law or professional obligations.

30. Privacy, Security, and Confidentiality - We can agree to commercially reasonable confidentiality obligations. Confidentiality terms should provide that we may disclose information if required by law or professional standards and then we may provide client information to our subcontractors and to third parties providing us with administrative support services so long as such parties are bound by confidentiality obligations no less stringent than those to which we are bound. We may need to seek certain other changes to this section consistent with the professional standards on such matters.

36. Indemnification - See Section 4, Subsection 4.3.1 of the proposal related to indemnification clause and independence in the professional standards.