

COMMITMENT TO SERVE

**West Virginia
Regional Jail & Correctional Authority**

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WV PURCHASING
DIVISION


West Virginia Regional Jail & Correctional Authority

Auditing Services

Response to Request for Quotation

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, Member

June 18, 2009

TRANSMITTAL LETTER

June 18, 2009

West Virginia Regional Jail & Correctional Authority
1325 Virginia Street East
Charleston, West Virginia 25301

We are pleased to submit our proposal to audit the basic financial statements of the West Virginia Regional Jail & Correctional Authority (the Authority). We demonstrate in the attached proposal that we exceed your mandatory qualifications, understand your Request for Proposal and audit needs, and commit to meeting all of your requirements within the specified time periods.

The team which we have assembled to serve the Authority has a long-standing relationship with the State of West Virginia which means that we know and understand the difficult issues and how to address them. Our primary team members are located in Charleston, West Virginia, providing the Authority with local access to their professional accounting firm and team members when routine technical assistance is needed. These primary team members have extensive technical knowledge of and experience with the State of West Virginia and its component units, and will be available at your request.

Our client service team's professional knowledge and understanding of West Virginia State government, along with the cost effective total client service plan we have developed distinguishes us from the competition.

You want auditors who have a solid understanding of your needs and the technology, knowledge solutions, and resources to help you meet your goals. Selecting the Suttle & Stalnaker, PLLC team to serve the Authority provides you with a number of important advantages:

➤ **Experience** - Suttle & Stalnaker, PLLC is committed to serving the Authority. To demonstrate this commitment, we have organized a team to serve you that has experience serving the State of West Virginia in prior years as follows:

- West Virginia Offices of the Insurance Commissioner
- West Virginia Workers' Compensation Commission
- West Virginia Bureau of Employment Programs
- West Virginia Department of Transportation

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Phone (304)-343-4126 or 1-(800)-788-3844 • Fax (304)-343-8008

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

- **Understanding significant issues** - Suttle & Stalnaker, PLLC is committed to addressing on a proactive basis the significant issues of the Authority.
- **Membership in PKF North American Network** - An association of over 170 member firms dedicated to high standards of practice. The Association provides a national and international network from which the firms can draw upon for additional experience consultation and personnel.
- **Technology** - Suttle & Stalnaker, PLLC uses extensive automated techniques in their audit approach. Our approach will include a review of the information systems of the Authority including identification of the related internal controls and testing of the relevant aspects of the information systems. We also use ACL Data Extraction Software to perform various automated tests from populations received in electronic formats.
- **Membership in AICPA Audit Quality Centers** - The Firm belongs to both the Governmental Audit Quality Center and the Employee Benefit Plans Audit Quality Center established by the American Institute of Certified Public Accountants. Membership in the audit quality centers requires specific rigorous policies and procedures regarding education and training, and provides the Firm with additional resources from the Centers in the form of webcasts, email blasts and technical support from the Centers' websites or telephone access to Center personnel.
- **Unmatched commitment to the State of West Virginia** - Suttle & Stalnaker, PLLC has demonstrated their commitment to the State of West Virginia being part of the State's business community for over 35 years. Awarding this contract to Suttle & Stalnaker, PLLC will benefit the taxpayers of West Virginia who, of course, support the State's economy. We are West Virginians serving West Virginia! And, as West Virginians, we are committed to serving West Virginia in the new millennium.
- **Commitment to meeting your time frames** - Suttle & Stalnaker, PLLC is committed to meeting the deadlines for the final reports. We have demonstrated our ability to meet these deadlines in the past on this audit as well as on numerous other engagements for the State of West Virginia and its component units.

We will serve the Authority in a dedicated manner and you will be a top priority client of our office. We would appreciate the opportunity to meet personally to further discuss this written proposal. We possess all of the technical and professional qualifications to serve the Authority in the most effective manner. Please feel free to contact 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

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SECTION I - GENERAL

WORKING WITH FARS REQUIREMENTS

We have performed numerous audits that are in accordance with the State of West Virginia Department of Administration, Financial Accounting and Reporting Section (FARS) requirements, and have a good working relationship with FARS, working closely with them to resolve issues over the years.

REPORT APPROACH

The work plan, including level of staff assignments by segment, time estimates and use of technology are included in the Scope and Planning of Work section of this proposal.

LICENSE TO PRACTICE IN WEST VIRGINIA

Suttle & Stalnaker, PLLC and all assigned key professional staff are properly licensed by the West Virginia Board of Accountancy to practice in West Virginia. All assigned key professional staff are properly licensed by the West Virginia Board of Accountancy to practice in the State of West Virginia. We are in good standing with the Unemployment Compensation Division and BrickStreet as required by law. Please see the No Debt Affidavit at the last page of the Request for Proposal included as part of this proposal

In addition, all assigned personnel have received adequate continuing professional education within the preceding two years to comply with AICPA and *Government Auditing Standards* (GAS). Suttle & Stalnaker, PLLC is a member in good standing with the American Institute of Certified Public Accountants (AICPA), the AICPA's Private Companies Practice Section, and the West Virginia Society of Certified Public Accountants (CPAs). All members proposed to serve on this engagement are members of the AICPA.

Suttle & Stalnaker, PLLC meets all requirements imposed by the State of West Virginia and other local laws, rules and regulations, and are registered resident vendors authorized to transact business with the State of West Virginia. All key professional staff of subcontractor firms will be properly licensed in the State of West Virginia.

COMMITMENT TO MEETING THE TIME LINES

We affirm that Suttle & Stalnaker, PLLC is committed to meeting the time lines specified in the request for quotation, provided there are no significant delays in receiving required information from the Authority or other circumstances beyond our control interfere. If such circumstances arise, we will promptly notify you to obtain an appropriate extension of time. The specific time frame is included in the Scope and Planning of Work section of this proposal

CLIENT ASSISTANCE PACKAGE

We will prepare a detailed client assistance package if awarded the contract. It will include requesting copies of all significant organizing legal documents and applicable West Virginia Code sections governing the operations of the Authority. In addition it will include requesting copies of policy and procedures manuals, as well as copies of all account reconciliations, and assistance with data requests and pulling supporting documentation for items tested.

QUALITY CONTROL

Suttle & Stalnaker, PLLC is a member in good standing of PKF International and of the PCPS: The AICPA Alliance for CPA Firms, and as such is required to provide a minimum average of 40 hours per year of continuing professional education for each professional on staff, have a complete quality control system in place which encompasses all of the quality control elements established by the AICPA, and have a peer review at least every three years.

In addition we are members of the Government Audit Quality Center and the Employee Benefit Plan Audit Quality Center of the American Institute of Certified Public Accountants. CPA firms that join the Center demonstrate their commitment to audit quality by agreeing to, and meeting, specific Center membership requirements. They also show their dedication to sharing best practices, learning about emerging issues, and demonstrating their commitment to enhancing quality in their practices.

The following is a brief summary of our policies as they relate to each quality control element.

Leadership Responsibilities For Quality

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

Relevant Ethical Requirements

It is the firm's policy that all professional personnel be familiar with and adhere to the relevant ethical requirements of the AICPA, the State of West Virginia Board of Accountancy, the West Virginia Society of CPAs, and State of West Virginia statutes. Furthermore, it is the firm's policy that, for engagements subject to *Government Auditing Standards* and other applicable regulatory agencies, all professional personnel be familiar with and adhere to the relevant ethical requirements included in those standards and that personnel will always act in the public interest. In this regard, any transaction, event, circumstance or action that would impair independence or violate the firm's relevant ethical requirements policy on an audit, attestation, review or compilation engagement, or other service subject to the applicable standards is prohibited. Additionally, when the firm and its professional personnel encounter situations that raise potential independence threats but such situations are not specifically addressed by the independence rules of the *AICPA Code of Professional Conduct*, the situation will be evaluated by referring to the *Conceptual Framework for AICPA Independence Standards* and applying professional judgment to determine whether an independence breach has occurred. The firm will take appropriate action to eliminate those threats or mitigate them to an acceptable level by applying safeguards. If effective safeguards cannot be applied, the firm will decline to accept or withdraw from the engagement or take other corrective actions as appropriate to eliminate the breach or potential breach.

Acceptance and Continuance of Clients and Engagements

It is the firm's policy that for all compilation, review, audit, and attestation engagements, the acceptability of the client and the engagement be evaluated before the firm agrees to provide professional services and that the firm will accept only engagements that it believes can be completed with professional competence after considering the risk associated with providing professional services in the particular circumstances.

Human Resources

The success of the firm is dependent upon its professional staff. It is the firm's intent to succeed in the marketplace by having members and staff that possess the capabilities, competence, and commitment to ethical principles to assure that engagements performed by the firm are in accordance with professional standards and regulatory and legal requirements and that appropriate reports are issued. Having effective quality control policies and procedures over the human resources element of quality control will help ensure the proficiency of firm personnel. Accordingly, policies and procedures have been established to provide the firm with reasonable assurance that-

- Those hired possess the appropriate characteristics to enable them to perform competently. Professional staff must normally have an accounting degree and a grade point average of at least 3.0 on a 4.0 scale.
- Work is assigned to personnel having the degree of technical training and proficiency required in the circumstances.

- Personnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill responsibilities assigned. All professional personnel must comply with the continuing professional education requirements of the AICPA, the West Virginia State Board of Accountancy, and the U.S. General Accounting Office. Specifically, all professionals must obtain a minimum of 40 hours of continuing professional education per year. For persons involved in governmental auditing, at least 24 hours in any two-year period must be directly related to governmental accounting and auditing. All professional staff must maintain an adequate awareness and understanding of current developments in technical literature, and all professional staff must assist in the training and development of staff members under their supervision.
- Personnel selected for advancement must have the qualifications necessary for fulfillment of the responsibilities they will be called on to assume. These determinations are made based on periodic, objective evaluations of individual performances.

Engagement Performance

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

Specific detailed procedures have been developed in regards to the following three components of Engagement Performance.

- Engagement performance and documentation. - Specific policies and procedures include guidance on the use of various practice aids to help ensure that all engagements are properly planned, performed, supervised, reviewed, documented and reported in accordance with professional standards.
- Engagement quality control review. - It is the firm's policy (a) to evaluate all engagements against criteria established by the firm to determine whether an engagement quality control review should be performed, and (b) to perform an engagement quality control review for all engagements that meet these criteria. Engagement quality control reviews are completed before the report is released.
- Consultation and differences of opinion. - It is the firm's policy that personnel refer to authoritative literature or other sources when appropriate. The firm also recognizes the need for a constant exchange of ideas and opinions about technical issues on all professional engagements, and it is the firm's policy that all professional personnel seek consultation, on a timely basis, within or outside the firm whenever differences of opinion occur or uncertainty exists about the answer to a technical question; the application of a professional procedure or standard; the application of a rule, regulation, or procedure of a tax or other regulatory agency; or the application of a firm policy.

Monitoring

It is the firm's policy that the quality control system be monitored on an ongoing basis to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the elements of quality control are relevant, adequate, operating effectively, and being effectively applied. Monitoring activities may include engagement quality control reviews, inspection, and post-issuance review.

The specific procedures utilized to ensure compliance with the above policies are enumerated in our formal Quality Control Document which is available for inspection upon your request.

PEER REVIEW

A review of the Firm's system of quality control was performed in 2008, in accordance with the AICPA's peer review program. This review included a review of selected governmental engagements. **An unqualified opinion with no letter of comments was received as a result of this review.** A copy of that report is included on the following pages



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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▪ Phone (606) 329-1811 ▪ Fax (606) 329-8756 ▪ E-mail contact@kelleygalloway.com ▪ Web site www.kelleygalloway.com ▪

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

December 31, 2008

To the Members
Suttle & Stalnaker, PLLC

We have reviewed the system of quality control for the accounting and auditing practice of Suttle & Stalnaker, PLLC (the firm) in effect for the year ended May 31, 2008. A system of quality control encompasses the firm's organizational structure, the policies adopted and the procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, audits of Employee Benefit Plans and engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests; therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality

control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Suttle & Stalnaker, PLLC in effect for the year ended May 31, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

Kelley, Galloway & Company, PSC

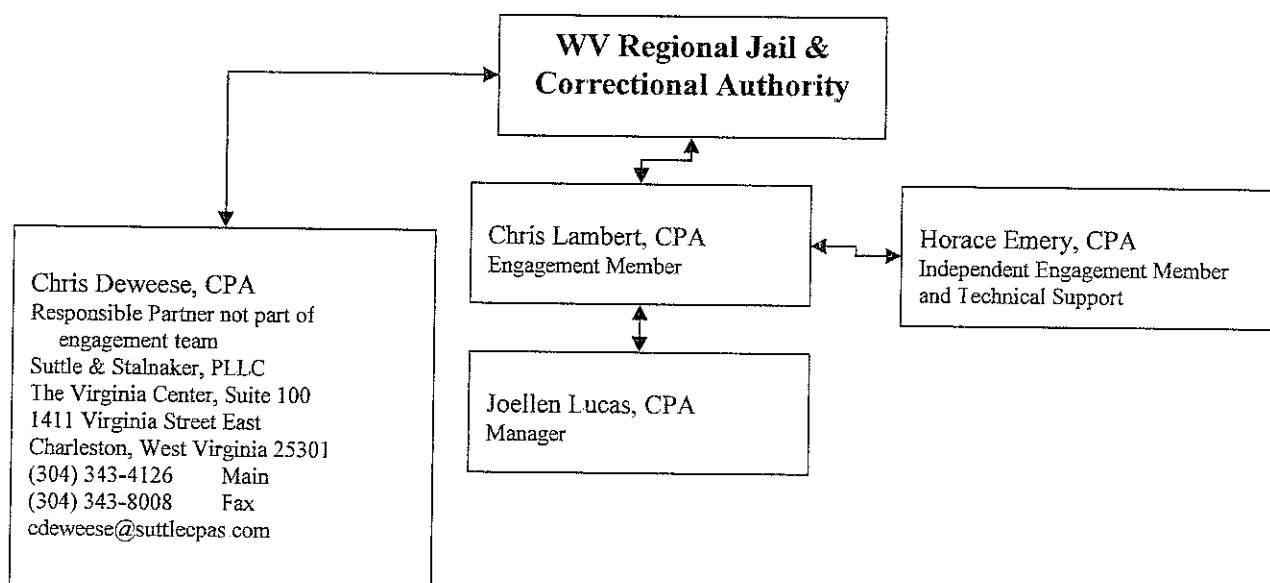
Kelley, Galloway & Company, PSC
Ashland, Kentucky

PARTNER, SUPERVISORY AND AUDIT STAFF
QUALIFICATIONS AND EXPERIENCE

ENGAGEMENT TEAM

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 Authority all have extensive governmental experience and prior experience with the State of West Virginia. We will provide for an organizational structure that ensures ongoing and knowledgeable supervision by management already familiar with the Authority to ensure maximum efficiency.

The following individuals will have responsibility to ensure that our services meet your requirements. Resumes and continuing professional education records for the Engagement Member and the Independent Engagement Member are included on the following pages. Continuing professional education records will be provided for additional engagement team members upon request.



ADDITIONAL STAFF

Additional staff will be assigned as necessary. Any professional staff will have at least a college degree from an accredited four-year college and be a true employee with at least one year's experience. 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.

ABILITY TO MAINTAIN QUALITY OF STAFF

In preparing and planning for the future success of Suttle & Stalnaker, PLLC and in an effort to provide our clients with the highest quality professional services, Suttle & Stalnaker, PLLC has implemented the EXCEL® program. The EXCEL® program allows each individual the flexibility to establish personal work commitments, continuing education goals, and career goals while ensuring that our commitments to our clients are met. This flexibility in today's work environment has been an instant success in helping to attract dynamic career oriented personnel dedicated to achieving success for our clients. The direct results of this program for Suttle & Stalnaker, PLLC have been a significantly lower turnover than other firms in public accounting. This results in an increased ability to assign a core group of the same individuals to recurring engagements, thus improving client service, and audit effectiveness. However, over the course of the engagement, there may well be a need to change staff assigned to the engagement. We believe our hiring, promotion, and personnel assignment policies and practices will ensure the quality of staff assigned to the engagement. If any supervisory staff or specialists need to be changed during the engagement, we will provide the Chief Financial Officer for the Authority a resume similar to the ones included in this proposal, to ensure that the Authority agrees that the new person is suitable for the engagement based on their qualifications, experience and performance.

RESUMES AND CPE

CHRIS S. LAMBERT, CPA
Audit Member

Firm Responsibilities

Chris will serve as the engagement member and will coordinate all services for the engagement. He will be the direct liaison with the Authority and will ensure all services are delivered timely and accurately. These responsibilities include, but are not limited to, the development of the audit plan and audit program, communication with client during the course of the fieldwork, direct supervision of the audit staff and completion of the final audit report.

Experience

Chris has over 18 years of experience in public accounting. His extensive experience includes audits of employee benefit plans, nonprofit, construction, manufacturing, and healthcare entities. In addition, he has performed numerous reviews of accounting systems, internal control, and performed other consulting services for various entities.

Education

Chris graduated with a Bachelor's degree with a major in accounting from the Marshall University. He is a certified public accountant having received certificate number 3212 from the State of West Virginia.

Professional Activities

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

**Suttle and Stalnaker, PLLC, Continuing Professional Education Record
Chris Lambert**

SPONSOR	DATE	DESCRIPTION	HOURS
2006			
PICPA	8/25/2006	Corporate Mergers & Acquisitions	8
New York Life Insurance Co.	10/30/2006	412(I) Defined Benefits Plan	1.5
WV Society of CPAs	10/5/2006	Annual Update for Accountants	8
Professional Accounting Seminar	10/19/2006	Fraud Detection Workshop 2006	8
JP Morgan Chase	10/25/2006	Accounting & Tax Strategies for the 4th Quarter	1
AICPA	11/29/2006	Year End Tax & Financial Planning	2
Jackson Kelly Attorneys	11/7/2006	What's New in Pensions 2006	2
NCACPA	11/17/2006	Intermediate Profit Sharing	8
Charleston Chapter, WVSCPAs	12/14/2006	Professional Update for the AICPA & WVSCPAs	1
AICPA	12/5/2006	Implementing the Risk Assessment	2
			41.5
2007			
Ford & Harrison, LLP	5/17/2007	Breaking Up is Hard to Do - Guidance On conducting Lawful & Effective Terminations	1
WV Society of CPAs	6/7/2007	Annual Meeting with State Tax Department	3.5
Planco	6/19/2007	Small Business Retirement Plans	2
WV Society of CPAs	8/28/2007	Economic Development Update	2
WV Society of CPAs	10/24/2007	Fiduciary Responsibility & Internal Revenue Code Section 409a, Deferred Compensation	2
AICPA & Georgia Society of CPAs	11/29-30/2007	AICPA's Annual Accounting & Auditing Workshop	16
WV Society of CPAs	11/15/2007	Financial & Estate Planning Solutions for Turbulent Times	3
WV Society of CPAs	12/13/2007	Comp. Review & Accounting Service Update	4
AICPA	12/5/2007	2007 Individual Income Tax Update	2
			35.5
2008			
WVSCPAs	1/10/2008	Working Together Conference	8
CCH a Wolters Kluwer business	5/30/2008	ProSystem fx Engagement Training I	8
Suttle & Stalnaker, PLLC	6/30/2008	CCH Engagement - Intermediate Course	4.5
WVSCPAs	6/26/2008	Governmental Accounting and Auditing update	8
WVSCPAs	6/27/2008	Applying A-133 to Nonprofit and Governmental Organizations	8
Suttle & Stalnaker, PLLC	7/7-8/2008	Caseware - Risk Assessment	8
Suttle & Stalnaker, PLLC	11/3/2008	Sexual Harassment Training	2
Suttle & Stalnaker, PLLC	12/19/2008	S&S Tax Update Day	8
Charleston Chapter, WVSCPAs	12/17/2008	Professional Update of the AICPA and WVSCPAs	1
Suttle & Stalnaker, PLLC	12/22/2008	Single Audit Approach & Update	8
			63.5
		Grand Total	140.5

HORACE W. EMERY, CPA

Audit Member

Role

Horace Emery will be responsible for performing the Independent review of all audit reports, financial statements, and reports issued on the engagement. He will also be available as a technical resource on the engagement.

Experience

He has had over 25 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 Insurance Commission
- West Virginia Workers' Compensation Division
- West Virginia Bureau of Employment Programs
- West Virginia PEIA - Financial and Compliance Audit
- West Virginia PEIA - Plan Document Compliance Review
- West Virginia Division of Highways
- West Virginia Department of Transportation
- West Virginia Lottery
- Minnesota Lottery
- State of West Virginia - Single Audit
- 9 County Boards of Education - Single Audit

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 number 1144 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 Peer Review Committee of the West Virginia Society of Certified Public Accountants. He has planned local office professional development training programs for several years and has instructed several technical seminars. Horace also currently serves or has served as board member for the Charleston Light Opera Guild, Fund for the Arts, and The Clay Center for the Arts and Sciences - West Virginia.

Suttle and Stalnaker, PLLC, Continuing Professional Education Record Horace Emery

SPONSOR	DATE	DESCRIPTION	HOURS
2006			
WV Society of CPAs	1/6/2006	WVSCPA Cabinet Meeting	5.5
WV Society of CPAs	1/26/2006	Legislative Seminar - An Update on Legal and Legislative Issues	4
Suttle & Stalnaker, PLLC	3/16/2006	Preparing Your Firm for 2006 EBP Audits - EBPAQC Live Forum	2
Suttle & Stalnaker, PLLC	3/1/2006	EBPAQC Roundtable on New Auditing Standards	2
Suttle & Stalnaker, PLLC	4/26/2006	AICPA Planning for 2006 EBP Audit Season	2.5
Suttle & Stalnaker, PLLC	5/26/2006	RSM McGladrey Webcast	1
Suttle & Stalnaker, PLLC	5/24/2006	AICPA "GAQC 2006 Annual Webcast Update"	2.5
West Virginia Society of CPAs	5/12/2006	Project Day	3
PKF North American Network	5/7-10/2006	Firm Management Conference	8.4
WV Society of CPAs	6/21-24/2006	Accounting and Auditing Update	2
WV Society of CPAs	6/21-24/2006	Professional Issues Update	1.8
WV Society of CPAs	6/2/2006	Adv. Training Course for Reviewers: Current Issues in Practice - Monitoring	8
WV Society of CPAs	6/21-24/2006	A New Look at Financial Statement Analysis	1.2
PKF North American Network	6/13-14/2006	Passing the Torch (2005-2006) #3	9
WVDOA - FARS	6/16/2006	GAAP Closing Process Training	1.5
PKF North American Network	6/13-14/2006	Passing the Torch (2005-2006) #3	4.5
WV Society of CPAs	6/21-24/2006	Federal Tax Update	3
Suttle & Stalnaker, PLLC	7/6/2006	3rd Annual Governmental Accounting & Auditing Seminar	8.1
Suttle & Stalnaker, PLLC	7/7/2006	2nd Annual Nonprofit Accounting & Auditing Seminar	8.1
Charleston Chapter of the WVSCPAs	8/24/2006	Economic Development Update - Economic Development in WV, the City of Charleston, and the Kanawha Valley	2
WVSCPAs	8/30-9/1/06	2006 Business Summit - Tax Symposium	1.8
WVSCPAs	8/30-9/1/06	2006 Business Summit - WV Energy Future/Summit Speaker	1.8
Charleston Chapter, WVSCPAs	9/14/2006	Pension Reform and WV Legislative Tax Update	2
Charleston Chapter, WVSCPAs	12/14/2006	Professional Update of the AICPA and WVSCPAs	1
			86.7
2007			
Suttle & Stalnaker, PLLC	1/8/2007	Planning for 2007 EBP Audits	2.5
Suttle & Stalnaker, PLLC	1/30/2007	Planning for 2007 EBP Audits	2.5
Suttle & Stalnaker, PLLC	4/27/2007	Employee Benefit Plans: Audit & Accounting Essentials	3
Suttle & Stalnaker, PLLC	6/18/2007	4th Annual Governmental Accounting & Auditing Seminar	7
WVSCPAs	6/20-23/2007	Annual Mtg, A&A Update	4
Suttle & Stalnaker, PLLC	6/19/2007	3rd Annual Nonprofit Accounting & Auditing Seminar	7
WVSCPAs	6/20-23/2007	Annual Mtg, Professional Issues Update	1.5
WVSCPAs	6/20-23/2007	Annual Mtg, Federal Tax Update	3
RSM McGladrey	7/12-13/07	M&P Audit Methodology Training	16
PKF North American Network	7/23-25/2007	The BIG Event, Int'l Acct Stds, CCH Engagement Reporting, ASB Update, Fraud and the CPA	12.5
Suttle & Stalnaker, PLLC	7/27/2007	State of West Virginia Single Audit Training	5.5
Suttle & Stalnaker, PLLC	12/20-21/2007	Paperless Audit / Risk Assessment Update	11.5
WVSCPAs, Charleston Chapter	12/12/2007	Professional Update of the AICPA and WVSCPAs	1
			77
2008			
WV Society of CPAs	1/28/2008	Legislative Seminar - An Update on Legal and Legislative Issues	4
WV Society of CPAs	1/3/2008	Cabinet Meeting Strategic Planning	5
WV Society of CPAs	5/9/2008	Project Day	3
WVSCPAs	6/18-21/2008	2008 Federal Tax Update at Annual Meeting	3.3
WVSCPAs	6/18-21/2008	Professional Issues Update	1.8
WVSCPAs	6/18-21/2008	Accounting Update	3
State of WV - FARS	6/9/2008	GAAP Closing Process Training	3
WVSCPAs	6/18-21/2008	Governmental Accounting and Auditing Update	3.3
Suttle & Stalnaker, PLLC	7/7-8/2008	Caseware - Risk Assessment	8
Suttle & Stalnaker, PLLC	11/3/2008	Sexual Harassment Training	2
Suttle & Stalnaker, PLLC	12/22/2008	Single Audit Approach & Update	8
WVSCPAs	12/9/2008	AICPA's Adv Course: Overview of the AICPA Peer Review Program Standards	8
			52.4

Grand Total 216.1

JOELLEN LUCAS, CPA
Manager

Firm Responsibilities

Joellen is a manager of the audit staff of Suttle & Stalnaker, PLLC and works primarily in the audit department. Her responsibilities include, but are not limited to, carrying out the audit plan and detailed testwork as assigned and supervision of the staff accountants.

Experience

Joellen has over 10 years of experience in public accounting. She has experience working for the following clients:

- West Virginia Department of Transportation
- West Virginia Division of Highways
- West Virginia Bureau of Employment Programs
- State of West Virginia, Single Audit, including the following departments:
 - Office of Emergency Services
 - WV Auditors' Office
 - State Treasurer's Office
- Six West Virginia Soil Conservation Districts

Education

She graduated from Mt. Vernon Nazarene College with a BA in Accounting. She is a certified public accountant having received certificate number 4466R.

Professional Activities

She is a member of the American Institute of Certified Public Accountants and West Virginia Society of Certified Public Accountants.

Suttle and Stalnaker, PLLC, Continuing Professional Education Record
Joellen Lucas

SPONSOR	DATE	DESCRIPTION	HOURS
2006			
Suttle & Stalnaker, PLLC	1/11/2006	Evaluating & Reporting Audit Findings	2
Suttle & Stalnaker, PLLC	3/1/2006	EBPAQC Roundtable on New Auditing Standards	1.5
Suttle & Stalnaker, PLLC	3/7/2006	Avoiding Data Collection Form Problems	1.5
Suttle & Stalnaker, PLLC	3/16/2006	Preparing Your Firm for 2006 EBP Audits - EBPAQC Live Forum	2
Suttle & Stalnaker, PLLC	4/26/2006	AICPA Planning for 2006 EBP Audit Season	2
Suttle & Stalnaker, PLLC	5/24/2006	AICPA "GAQC 2006 Annual Webcast Update"	2.5
Suttle & Stalnaker, PLLC	5/26/2006	RSM McGladrey Webcast	1
WVDOA - FARS	6/16/2006	GAAP Closing Process Training	1.5
Suttle & Stalnaker, PLLC	7/6/2006	3rd Annual Governmental Accounting & Auditing Seminar	8.1
Suttle & Stalnaker, PLLC	7/7/2006	2nd Annual Nonprofit Accounting & Auditing Seminar	8.1
Charleston Chapter, WVSCPAs	8/24/2006	Economic Development Update - Economic Development in WV, the City of Charleston and the Kanawha Valley	2
WV Society of CPAs	11/15-16/2006	CFO & CPA Conference	12
Charleston Chapter, WVSCPAs	12/14/2006	Professional Update of the AICPA and WVSCPAs	1
			45.2
2007			
Suttle & Stalnaker, PLLC	1/8/2007	Planning for 2007 EBP Audits	2.5
PKF North American Network	1/18/2007	DOL Expectations and Audit Deficiencies	2
Suttle & Stalnaker, PLLC	4/27/2007	Employee Benefit Plans: Audit & Accounting Essentials	6
WVSCPAs	5/11/2007	WVSCPA Project Day	3
Suttle & Stalnaker, PLLC	6/18/2007	4th Annual Governmental Accounting & Auditing Seminar	7
Suttle & Stalnaker, PLLC	6/19/2007	3rd Annual Nonprofit Accounting & Auditing Seminar	7
RSM McGladrey	7/12-13/07	M&P Audit Methodology Training	16
Suttle & Stalnaker, PLLC	7/27/2007	State of West Virginia Single Audit Training	5.5
Charleston Chapter, WVSCPAs	8/28/2007	Economic Development Update	2
Suttle & Stalnaker, PLLC	12/20-21/2007	Paperless Audit / Risk Assessment Update	11.5
			62.5
2008			
State of WV - FARS	6/9/2008	GAAP Closing Process Training	3
PKF North American Network	6/4/2008	Employee Benefit Plans Training Day	8
Suttle & Stalnaker, PLLC	7/7-8/2008	Caseware - Risk Assessment	24
Charleston Chapter of the WVSCPAs	8/26/2008	Economic Development Update	2
WVSCPAs	9/26/2008	Advanced Forensic Techniques for Accountants	8
WVSCPAs	10/17/2008	Bridging the Gap	5
Suttle & Stalnaker, PLLC	11/3/2008	Sexual Harassment Training	2
Suttle & Stalnaker, PLLC	12/22/2008	Single Audit Approach & Update	8
			60
			Grand Total 167.7

SECTION II - SCOPE AND PLANNING OF WORK

SCOPE AND PLANNING OF WORK

Our Understanding of Your Service Requirements

We understand that the West Virginia Regional Jail & Correctional Authority (the Authority) is soliciting the services of qualified firms of certified public accountants to perform the annual audit of the Authority for the year ending June 30, 2009. The initial contract will be for one year with the option of two (2) one-year renewals. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards (GAS)*, and other applicable laws and regulations.

We will determine whether the combined financial statements which will include all programs administered by the Authority are presented fairly in all material respects in conformity with accounting principles generally accepted in the United States of America. In addition, we will determine whether the other financial information, including that required by the Financial Accounting and Reporting Section of the West Virginia Department of Administration, is presented fairly in all material respects in relation to the financial statements taken as a whole. The Authority's financial statements will also include unaudited supplemental information for purposes of complying with GASB. We will apply certain limited procedures to the unaudited supplementary information, principally inquiries of management regarding the methods of measurement and presentation of such information. However, we will not audit or render an opinion on such information.

We understand that all financial reports must comply with the parameters established by the State of West Virginia's Department of Administration, Financial Accounting and Reporting Section (FARS). We will respond to reasonable requests for information and attend meetings held by FARS regarding their requirements for report format, deadlines, etc.

We will issue a report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with GAS. In planning and performing our audit, we will consider the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting will not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we will report to you any matters noted involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

In addition, we will perform tests of compliance with certain provisions of laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on the Authority's financial statements. However, providing an opinion on compliance with those provisions will not be an objective of our audit and, accordingly, we will not express such an opinion. We will report to you any instances of noncompliance that are required to be reported under GAS.

Written reports will be submitted initially in draft form so that any necessary changes may be discussed and agreed upon before final acceptance.

Reporting

The services required by this RFP will include reporting on:

1. Whether the basic financial statements of the Authority as of June 30, 2009, and for the year then ended, present fairly the financial position and results of financial operations in conformity with accounting principles generally accepted in the United States of America and whether the other financial information, including that required by the Financial Accounting and Reporting Section of the West Virginia Department of Administration, is presented fairly in all material respects in relation to the financial statements taken as a whole.
2. Our report will also indicate that our procedures applied to the required unaudited supplemental information included with the basic financial statements, including management's discussion and analysis, schedule of funding progress and schedules of contributions from the employers and other contributors consisted of applying certain limited procedures, principally inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we will not audit the information or express an opinion in it.
3. Internal control over financial reporting based on an audit of the Authority's financial statements performed in accordance with GAS, and on compliance with laws, regulations and the provisions of contracts or grant agreements, noncompliance with which could have a material effect upon the Authority's financial statements in accordance with GAS
4. Any material weaknesses or significant deficiencies in internal control noted during our consideration of internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. In addition, our management letter may include other suggestions for improving procedures and/or controls.
5. Any instances of material fraud or illegal acts.
6. We will give a written report of all irregularities and illegal acts of which the Firm becomes aware to the following:
 - Audit Committee or its equivalent
 - Management of the Authority

In addition, we will inform the Audit Committee or its equivalent, and management of the Authority in writing of each of the following, as applicable:

- The auditor's responsibility under auditing standards generally accepted in the United States of America;
- Significant accounting policies;
- Significant disclosures not made;
- Management judgments, accounting estimates, and projections;

- Significant audit adjustments and significant revisions of past and current estimates and projections;
- Significant unrecorded audit differences;
- Other information in documents containing audited financial statements and/or estimates and projections;
- Our independence within the meaning of professional standards;
- Disagreements with management;
- Management consultation with other accountants and actuaries;
- Major issues discussed with management prior to retention;
- Difficulties encountered in performing the audit; and,
- Irregularities and illegal acts.

We will also communicate **immediately** any issues arising during the course of the audit that could delay the issuance of the report or have an adverse impact on the audit opinion to the Management of the Authority. Subsequently, we will follow up with a written summary of the issue within 24 hours.

Management Communication

Because the Authority is still an integral part of the financial statements of the CAFR of the State of West Virginia, we are prepared to provide special assistance to the State's auditors, and the Financial Accounting and Reporting Section of the West Virginia Department of Administration if needed.

We will perform an audit of the Authority's financial statements as of and for the year ended June 30, 2009. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

An audit of financial statements also includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to you and to management any significant deficiencies or material weaknesses that become known to us during the course of the audit.

We will also communicate to the audit committee or its equivalent any (a) fraud involving senior management and other fraud that causes a material misstatement of the financial statements, (b) illegal acts that come to our attention (unless they are clearly inconsequential), (c) disagreements with management and other serious difficulties encountered in performing the audit, and (d) various matters related to the entity's accounting policies and financial statements.

Management is responsible for the financial statements, including adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

The audit committee is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

The Authority hereby indemnifies Suttle & Stalnaker, PLLC and its partners, principals and employees and holds them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of the Authority's management, regardless of whether such person was acting in the Authority's interest. This indemnification will survive termination of this letter.

If circumstances arise relating to the condition of the Authority's records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

Our acceptance of this engagement is subject to our satisfactorily completing our normal engagement acceptance procedures, including communication with and review of the audit documentation of your previous auditors (accountants). We will notify you promptly if we become aware of anything during our acceptance procedures or the communication or review that results in our not being able to continue this engagement.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

During the course of our engagement, we may accumulate records containing data which should be reflected in the Authority's books and records. The Authority will determine that all such data, if necessary, will be so reflected. Accordingly, the Authority will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Board personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with management. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Our professional standards require that we perform certain additional procedures, on current and previous years engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, the Authority agrees it will compensate Suttle & Stalnaker, PLLC for any additional costs incurred as a result of the Authority's employment of a partner or professional employee of Suttle & Stalnaker, PLLC.

In the event we are requested or authorized by the Authority or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Authority, the Authority will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors, or "experts" in a document used in a public or private offering of equity or debt securities. Accordingly, the Authority agrees that it will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, the Authority also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Authority seeks such consent, we will be under no obligation to grant such consent or approval.

Any claim arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of West Virginia. It is agreed by the Authority and Suttle & Stalnaker, PLLC or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of the Authority shall be asserted more than two years after the date of the last audit report issued by Suttle & Stalnaker, PLLC.

Audit Workpapers

The workpapers for this engagement are the property of Suttle & Stalnaker, PLLC and constitute confidential information. However, we may be requested to make certain workpapers available to other agencies pursuant to authority given to them by law or regulation. If requested, access to such workpapers will be provided under the supervision of Suttle & Stalnaker, PLLC personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to such agencies, which may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

All working papers and reports will be retained, for a minimum of five (5) years, unless the firm is notified in writing by the Authority of the need to extend the retention period. We will make working papers available, upon reasonable request, under the supervision of Suttle & Stalnaker, PLLC personnel.

SPECIFIC WORKPLAN

Overview of Approach, Including Hours by Segment

Our approach to the audit of the Authority's financial statements is driven by the overriding consideration of public concern and perception regarding the integrity of operations. Therefore, our approach will place a greater emphasis on review and evaluation of internal controls. These considerations are further explained in the following overview of our approach.

Our audit approach consists of the following segments:

- Planning
- Consideration of the internal control structure, including complying with new risk assessment standards
- Development of the audit plan
- Testing
- Overall Conclusions and Reporting

The following is a summary of estimated hours by segment.

	<u>Member</u>	<u>Manager/ Supervisor</u>	<u>Senior</u>	<u>Staff</u>	<u>Total</u>
Planning	3	4	25	10	42
Internal Control, including risk assessments	1	4	7	8	20
Testing	3	4	38	38	83
Conclusions/Reporting	8	10	15	10	43
Exit Conference	4	4	4	-	12
Total	19	26	89	66	200

Planning

During the planning phase of the engagement, we will perform the following activities:

- Document our understanding of the Authority's operating environment. This understanding will address both internal and external factors which significantly affect the Authority, and will include a review of such things as:
 - West Virginia State Code (the Code)
 - New/proposed legislation specific to the current issues
 - Organizational structure of the Authority, if any
 - Long range plans of the Authority
 - Policy and procedure documents/manuals for significant operational areas
 - Internal financial reports
 - Significant contractual agreements
- Consideration of Fraud - SAS 99 - In accordance with SAS 99, Consideration of Fraud in a Financial Statement Audit, we will meet with members of the Authority, and management to gain an awareness of fraud. We will hold a brainstorming session with all team members and will assess fraud risk in accordance with the SAS 99. This assessment will help with the development of our tests, including identification of those employees to be interviewed and any special tests to be performed.
- Consideration of new Statements on Auditing Standards - New auditing standards issued by the American Institute of Certified Public Accountants include:
 - SAS 102 - *Defining Professional Requirements in Statements on Auditing Standards*, effective immediately. This statement clarifies the auditor's responsibility under professional standards when the words "must", "is required" and "should" are used in the standards.
 - SAS 103 - *Audit Documentation*, effective for periods ending on or after December 15, 2006. This statement provides enhanced guidance regarding the sufficiency of audit documentation; requires the identification of the preparer and reviewer and date work or review occurred; and requires documentation of specific items tested. It also, revises the dating of auditor's report, which should be no earlier than the date on which the auditor has obtained sufficient, appropriate audit evidence to support the opinion. In addition, the statement specifies when and how changes to the audit documentation may be made after the report date.

- SAS 104-111 - Several Statements collectively referred to as the “Risk Assessment” standards, effective for periods beginning on or after December 15, 2006. The primary objective of these Statements is to enhance auditor’s application of the audit risk model in practice by specifying, among other things: more in-depth understanding of the entity and its environment, including its internal control, to identify the risks of material misstatement in the financial statements and what the entity is doing to mitigate them; more rigorous assessment of the risk of material misstatement of the financial statements based on that understanding; improved linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks.
- SAS 112 - *Communicating Internal Control Related Matters Identified in an Audit*, Amends SAS 60, effective for periods ending on or after December 15, 2006. This statement redefines terminology, revises reporting requirements, provides guidance on identifying deficiencies, establishes guidance about material weakness, and requires auditors to distinguish between types of deficiencies. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. The term “reportable condition” is no longer applicable.
- SAS 114 - *The Auditors’ Communication With Those Charged With Governance*, effective for periods ending on or after December 15, 2006 expands the matters required to be communicated to those charged with governance, including the representations the auditors request from management.

New auditing standards Issued by the U.S. Government Accounting Office include:

- *Government Auditing Standards*, January 2007 Revision – The changes related to financial audits include:
 - Aligning the audit documentation standard with AICPA SAS No. 103, *Audit Documentation*
 - Defining internal control deficiencies to be consistent with AICPA SAS No. 112, *Communicating Internal Control Related Matters Identified in an Audit*
 - Revised the guidance to allow use of professional judgment in determining whether and how to communicate deficiencies in internal control that are not significant deficiencies.
 - Added requirements for reporting on the restatement of previously issued financial statements.
 - Encouraged communicating in the auditor’s report significant concerns, uncertainties, or other unusual events that could have significant impact on the financial condition or operations of a government entity or program for financial audits.

- The *Government Auditing Standards* revision affects our work as auditors, particularly in the written communication that we provide, and will also affect the Authority in the types of documentation we may request.
- The *Government Auditing Standards* revision is effective for periods beginning on or after January 1, 2008 with early implementation encouraged. Certain standards issued by the AICPA's Auditing Standards Board have earlier effective dates. For financial audits performed under *Government Auditing Standards*, the effective dates of those new standards will apply. As an example, the AICPA's Statement on Auditing Standards 112, *Communicating Internal Control Related Matters Identified in an Audit* is effective for periods ending on or after December 15, 2006 and thus will be applicable to the Authority for the fiscal year ending June 30, 2009. We have early-adopted many of the new standards.
- Effects of New GASB Standards - New Accounting and Auditing Standards

We will be available to management and the Authority of Directors early in the audit process, to review the Authority's accounting and disclosure plans related to the adoption of any new accounting standards. Following is a discussion of pending standards.

New Accounting Standards issued by the Governmental Accounting Standards Board that may affect the Authority's financial statements include:

- Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement provides accounting and financial reporting standards for plans that provide other postemployment benefits (OPEB).
- Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This is a companion to Statement No. 43, and addresses how governmental employers should account for and report their costs and obligations related to OPEB. Effective July 1, 2007, the Authority is required to participate in the multiple employer cost sharing plan sponsored by the State of West Virginia. Generally accepted accounting principles would normally indicate that the cost of OPEB be recorded in the period associated with the service rendered by employees. It is current practice, however, for the cost to be recognized when such benefits are paid. Statement No. 45 will require the systematic, accrual-basis measurement and recognition of the OPEB liability over a period that approximates employees' (which will be the amount billed by the OPEB trust fund) years of service. Information will also need to be reported on the actuarial accrued liabilities associated with the OPEB and whether, and to what extent, progress is being made in funding the plan. We understand that this statement will require significant changes in the current accounting and will work with the client and management of the Authority to resolve the issues identified in a timely manner.

- Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement, if applicable, becomes effective for the Authority for the period beginning July 1, 2007. This statement provides guidance for reporting in situations where an interest in expected cash flow from specific receivables or specific future revenues is exchanged for an immediate cash payment. Based on our current understanding, the Authority does not have any transactions that will be subject to the provisions of this pronouncement.
- Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement, if applicable, becomes effective for the Authority for the period beginning July 1, 2008 and addresses accounting and reporting issues related to pollution remediation obligations. We are unaware of any pollution remediation obligations, but we will incorporate in our audit plan steps to address this potential issue.
- Statement No. 50, *Pension Disclosures*. This statement more closely aligns the reporting requirements with those for other post employment benefits (OPEB), and is effective for the Authority beginning July 1, 2008.
- Preliminary Analytical Review - Preliminary analytical review is utilized to increase our understanding of the Authority's operations and to help focus the audit effort on those areas which are most significant or critical to the fair presentation of the financial statements. Specific analytical procedures will include year to year comparisons, ratio analysis, and trend analysis.
- Approach to laws, regulations, contracts, and grants - Identifying and ensuring that the Authority complies with laws and regulations is the responsibility of management. Our procedures will include appropriate inquiries of management to identify laws and regulations noncompliance with which could have a direct and material effect on financial statement amounts. We will also review relevant portions of the West Virginia Constitution, the West Virginia Code, and relevant regulations. We will test the provisions of those laws, regulations, grants and awards for noncompliance which could have a direct and material effect on financial statement amounts.
- Meeting with Audit Committee/Commission - A critical component to the audit will be open communication with the Authority or Audit Committee. We will meet early in the planning stages to discuss audit risk issues, concerns and our audit plan. Follow-up meetings will be held as necessary.

- Coordination with Commission Personnel - During the planning phase we will meet with Board personnel to coordinate our planned activities and procedures with your needs and requirements. Preliminary timing of the various phases of the audit will be agreed upon. Any issues that arise during the course of the audit that could cause delays in the issuance of the report or have an adverse impact on the audit opinion will be immediately communicated to the Management of the Authority, and the Chief Financial Officer of the Authority. The planned time table for the audit follows. **We are committed to meeting this timetable provided there are no significant delays in receiving required information from the Authority, or other circumstances beyond our control interfere.** If such circumstances arise, we will promptly notify you to obtain an appropriate extension of time.

<u>Deliverables/Event</u>	<u>Time Period</u>
Entrance Conference (Planning Event)	Within 2 weeks of award
Any interim work must be completed	July 31, 2009
Field work to begin	August 17, 2009
Draft of the Authority reports and financial statements for review	September 15, 2009
Final signed report for the Authority submitted to the Authority and to the Financial Accounting and Reporting Section of the Department of Administration	October 15, 2009
Presentation to the Authority Board	November or December 2009 Board Meeting

- Continuous Planning - We believe that planning is an ongoing process throughout the course of the audit. As the audit progresses, time estimates and decisions regarding critical areas and audit emphasis will be adjusted based on the results of procedures as they are performed. This process generally entails frequent communication among the staff, in-charge, manager, and member during the course of the engagement, thus assuring an effectively managed engagement.

Consideration of Internal Control

The consideration of the internal control structure will consist of gaining an understanding of the control environment, evaluating the risk assessments made by management, understanding the information and communication systems (including the financial reporting systems), monitoring activities performed, and control activities, including internal controls over computer processing.

- Understanding the Control Environment - Our review of the control environment will encompass the organizational structure; management's philosophy and operating style, particularly regarding their approach to security and internal controls; policies and procedures adopted by the Authority; and management and employee consciousness of and attitude toward internal controls.

The control environment sets the tone of an organization and influences the control consciousness of its people. The control environment is the foundation for all other components of internal control and provides structure and discipline. The control environment of an organization includes the following factors:

- Integrity and ethical values.
 - Commitment to competence.
 - Attention and direction provided by the governing body or audit committee.
 - Management's philosophy and operating style.
 - Organizational structure.
 - Manner of assigning authority and responsibility.
 - Human resource policies and procedures.
- Evaluating Risk Assessment - Risk assessment for financial reporting purposes refers to the client's identification, analysis, and management of risks relevant to the preparation of financial statements that are fairly presented in conformity with accounting principles generally accepted in the United States of America. More simply, it can be described as identifying types of potential misstatements and designing control activities to prevent or promptly detect those misstatements. An entity's risk assessment, on the other hand, is the process of identifying, analyzing, and managing risks that affect the entity's objectives.

A key step in the risk assessment process is identifying changed conditions and taking necessary actions. This involves identifying and communicating both external and internal events or activities that may affect the organization's financial reporting objectives and analyzing the associated risks. Risks relevant to the financial reporting process may arise due to the following:

- Changes in the organization's operating environment.
- New personnel.
- New or revised information systems.
- Rapid growth within the organization.
- New technology.
- New lines, products, or activities.
- Restructuring within the organization.

- New accounting pronouncements.
- Understanding of Information and Communication Systems - The information system relevant to financial reporting (the “financial reporting system”) consists of methods established to identify, assemble, analyze, classify, record, and report transactions and conditions, and to maintain accountability for the organization’s assets, liabilities, and equity. In addition, information systems generate information necessary to carry out many control activities. An information system may be computerized, manual, or a combination of the two, depending on the size and complexity of the entity.

Our review of the financial reporting system will include the Authority’s methods and procedures to:

- Identify and record all valid transactions.
- Provide, on a timely basis, sufficient detailed information about transactions to permit proper classification for financial reporting.
- Allow transactions to be recorded at their proper monetary value in the financial statements.
- Provide sufficient information to permit recording of transactions in the proper accounting period.
- Properly present the transactions and related disclosures in the financial statements.

Communication relates to providing a clear understanding of internal control over financial reporting, how it works, and the responsibilities of individuals within the entity related to internal control. We will review the effectiveness of the Authority’s communication tools including policy manuals, memorandums, oral communications, etc.

Communication also relates to the flow of information upstream in an entity. For control activities to be effective, individuals must be able to report exceptions to the appropriate levels of management. For upstream communication to occur, there must be open channels of communication and a willingness by management to deal with problems as they occur. We will also review the effectiveness of the Authority’s upstream communications.

- Understanding of Monitoring - Because of changes among personnel and changes within an organization, it is essential that internal controls be monitored over time to determine whether they continue to be relevant and able to address new risks of the organization. Monitoring is a process that assesses the quality of an organization’s internal control over time and involves assessing the design and operation of controls on a timely basis and taking corrective actions as necessary. We will evaluate both the ongoing and periodic evaluations performed by staff, including any internal audit activities.
- Understanding of Control Activities - Control activities are the policies and procedures established to help ensure that management directives are carried out. Control activities may occur at all levels, and in all functions, of an entity. Control activities cover a range of activities and may include the following:

- *Performance reviews*, such as comparison of actual results to budgets, forecasts, and prior period of performance.
- *Information processing controls*, such as controls to check the accuracy, completeness, and authorization of individual transactions. Information processing controls include automated as well as manual controls.
- *Physical controls*, such as physical security of assets, including adequate safeguards over access to assets and records, authorization for access to computer programs and data files, and periodic counting and comparison with amounts recorded in the accounting records.
- *Segregation of duties*, such as assigning the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets to different people within the organization.

Control activities usually involve two elements: (a) a policy that establishes what should be done and (b) the procedure that implements the policy. Policies may be communicated either orally or in writing. Also critical to control activities are the follow-up actions taken in response to identified discrepancies (for example, investigation by management of unexpected variances noted while comparing the budget to actual results).

Development of the Audit Plan

Based on the information gathered in the planning and internal control structure consideration stages, we will develop an audit plan taking into consideration the audit risk assessments developed for various transaction classes and accounts. Audit programs will be tailored to focus on testing of the specific key points in processing and/or controlling financial information. Each audit program step will be designed to specifically achieve certain audit objectives. After completion of the audit program, we will meet with Division personnel to discuss the specific timing of the procedures. The audit plan will include addressing the following:

- Sampling - Sample sizes will be determined based on sound sampling plans. Statistical sampling is used whenever it is determined to be cost effective. Sampling will include both substantive tests and tests of compliance. Samples for tests of compliance, including compliance with certain laws and regulations are generally based on attribute principles. Substantive sampling procedures would normally be weighted toward higher dollar items. When statistical sampling is considered to be cost effective, we will use a computer program to determine the samples based on the assessments of inherent/control risk and the evidence provided by other audit procedures.
- Extent of use of II Audit Software - We utilize the CCH Engagement program for our core trial balance and adjustment workpapers, for account groupings, and for certain analytical procedures and ratio analysis. We anticipate that certain financial information and schedules prepared for the auditors will be supplied on disk, which we will load on our computers and perform various tests. Other use of EDP software will be determined based on the results of the system reviews. We actively use other computer assisted audit techniques utilizing various programs such as Audit Command Language (ACL). Efficiency and effectiveness are often enhanced by computer assisted audit techniques. Examples of EDP audit applications include:

- Analytical review
- Year to year and trend analyses
- Importing general ledger
- Sampling
- Data analysis, extraction, and manipulation
- Edits and computations

We have access to various specialized software. We plan to make use of ACL in this role, as necessary, to perform a significant number of computer assisted procedures in a short amount of time. We will also use email to communicate with the Authority and other professionals assigned to the engagement; Microsoft EXCEL and WORD to perform analyses and document work on the engagement; and Ivalue to perform interest calculations and amortizations.

We also now make the financial statements available to our clients in a clean PDF format for posting to their website.

- Analytical Procedures - Analytical procedures can be powerful tools to anticipate and predict results. Therefore, actual results can be compared to these designs, and significant variances analyzed. Many expenses, such as commissions, wages and benefits, payroll taxes, rent, etc. are also susceptible to strong predictive analytical tests. The following section on Testing summarizes some of the various tests for the significant financial statement elements, demonstrating the extent to which analytical procedures are used to enhance the audit process.

Testing

Overview of Audit Testing Strategy

The following chart depicts an overview of the various interrelated sampling and analytical procedures applied to significant financial statement elements during the audit of the Authority.

	Representative Sampling	Key Items	Analytical Procedures	Independent Confirmation
Planning			✓	
Tests of Controls	✓			
Cash and Cash Equivalents		✓	✓	✓
Receivables	✓	✓	✓	✓
Assets Held in Agency Capacity	✓	✓	✓	✓
Payables and Accruals		✓	✓	
Revenues	✓	✓	✓	
Expenditures	✓	✓	✓	
Other Income and Expense		✓	✓	
Compliance	✓	✓	✓	✓
Financial Reporting		✓	✓	

Preliminary Design of Audit Tests by Significant Audit Area

In the previous section, we have discussed our overall general audit approach. This section is to describe in more detail how this will be utilized in auditing the various significant audit areas for the Authority. We have leveraged from our previous experience with the Authority in developing our approach. These procedures are not all inclusive.

Detailed Audit Approach by Key Financial Statement Element

Cash and Cash Equivalents - Our approach in auditing cash and cash equivalents will be primarily utilizing substantive auditing procedures. These procedures will include testing the related reconciliations and evaluating the need to confirm cash and cash equivalents.

Investments and Investment Income - Our approach in auditing investments and the related investment income will include evaluating the need to confirm investments and related investment income. In addition, we will obtain an understanding of the Investment Management Board's (IMB) and Board of Treasury Investments (BTI) process regarding the allocation of investment principle and interest to the Authority. This may include making inquiries of IMB/BTI personnel, performing walkthroughs, and performing a site visit, if deemed necessary. Investment income will be tested analytically by calculating an annual yield and comparing this calculation to the anticipated or market return on the investment. We will review for appropriateness the methods used to establish the fair value for investments, including foreign exchange contracts, futures contracts, and interest rate swaps.

Receivables, Net - We will review the accounts receivable makeup of items comprising the balance to determine the most effective method of testwork. Generally testing will include review of reconciliations, testing of subsequent collections, confirmation of balances, analytical analysis, and review of the allowance for doubtful accounts methodology.

Assets Held in Agency Capacity - We will review for the makeup of items comprising the balance to determine the most effective method of testing. Generally testing will include review of reconciliations, confirmation of balances, review of documentation underlying transactions, and analytical analysis.

Accrued Expenses and Other Liabilities - We will obtain a detail listing of accrued expenses and other liabilities and test for clerical accuracy. We also will perform a test for unrecorded liabilities by reviewing cash disbursed subsequent to year end and reviewing for significant unpaid invoices or open contracts.

Overall Conclusions and Reporting

In this final phase of the audit, we perform certain general audit procedures, conduct an overall review of the financial statements, and draw overall audit conclusions based on the results of our work. The general audit procedures performed during this phase include obtaining management and legal representations, and reviews of subsequent events, among others.

Throughout the course of the audit, we will make inquiries of management about various facets of the Authority's operations, commitments, contingencies, pending or actual suits and judgments, and obligations. Responses to our inquiries may be provided both orally and in writing. During this final phase, we will request written legal representation from the State Attorney General and representations from management to confirm the continuing appropriateness of earlier representations and to assure a mutual understanding of the subject matters relating to these representations.

Also, during this phase we will perform a review of events occurring subsequent to the date of the financial statements up to the date of our report that could have a direct and material effect on the financial statements. Our objective is to determine whether any significant direct or contingent liabilities or commitments have occurred, whether there have been any significant changes in the status of items accounted for in the financial statements on the basis of estimates or on the basis of tentative, preliminary, or inconclusive data, whether there have been any unusual adjustments to the accounts since the balance sheet date, and whether there have been any significant changes in the financial condition or operations since the balance sheet date.

We will perform an overall analytical review of the financial statements near or at the conclusion of our audit work. The purpose of this review is to satisfy ourselves that the numbers make sense in light of our understanding of your the Authority, that we have obtained explanations of significant fluctuations between years, and that the financial statements meet generally accepted presentation and disclosure standards.

In addition, we will reevaluate our materiality judgments and the adequacy of our audit procedures. In the planning phase, we determined planning materiality based on preliminary information which was used to help determine the extent and timing of tests performed. Based upon the final assessment of risk and the audited materiality base, we will consider whether the extent of substantive auditing procedures was sufficient to form conclusions concerning the information contained in the financial statements, the effectiveness of internal controls, and compliance with laws and regulations.

We will meet with management to discuss developments in the audit and/or resolve accounting or reporting issues as they arise. Such meetings will be held regularly from the beginning of fieldwork until the final report is issued. Potential financial statement adjustments identified during the course of the audit will be formally documented and we will discuss with management the effects of these adjustments. We are confident that with the appropriate dialogue between management and our team, all reporting issues will have been identified and resolved well in advance of all final reports.

The reporting phase is divided into two distinct phases. The first phase encompasses a review of the financial statement format and presentation, and a review of the significant accounting policies utilized by the Authority. This phase is accomplished early in the engagement, so that significant reporting issues can be addressed timely and effectively.

The second phase occurs at the end of the testing, when all information is accumulated and evaluated. **Any proposed adjustments are agreed upon and drafts of financial statements discussed and approved.** At this point we will be in position to prepare our reports on the financial statements and on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards. If a report other than an unqualified report would be necessary, we would fully discuss the reasons with you prior to issuance of the report.

We routinely provide PDF copies of final reports that can be distributed electronically or posted to our client's websites as desired.

SECTION III -
FIRM QUALIFICATIONS AND EXPERIENCE

FIRM QUALIFICATIONS AND EXPERIENCE

Suttle & Stalnaker, PLLC, Certified Public Accountants, has offices located at 1411 Virginia Street East, The Virginia Center, Suite 100, Charleston, West Virginia 25301 and at Towne Square, PO Box 149, Parkersburg, West Virginia 26102. **The Firm currently consists of the following personnel: members/partners - 12, managers, seniors and staff accountants - 29, support staff - 9. We have 24 accounting professionals on staff that hold a CPA certificate in West Virginia.** Currently there are approximately 12 individuals in our governmental audit staff. The work performed will be coordinated by our Charleston office. We anticipate 4 to 5 full-time personnel assigned to the engagement. Various members and employees of the Firm are members of the American Institute of Certified Public Accountants, the West Virginia Society of Certified Public Accountants, Government Finance Officers' Association, and other professional organizations. **Suttle & Stalnaker, PLLC has been in business since 1973 and has performed governmental audits for over 30 years.**

The audit work will be conducted from our Charleston, West Virginia office. The audit team will generally be a group of approximately five individuals from our Charleston, West Virginia Office.

STATE OF WEST VIRGINIA EXPERIENCE

Suttle & Stalnaker, PLLC has specialized in governmental and nonprofit agency auditing and accounting for over 35 years. This segment currently makes up the largest industry concentration of Suttle's audit practice, with our professional staff spending well over 12,000 hours per year on audits of governmental and nonprofit entities and programs. Every member of Suttle & Stalnaker, PLLC's 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 Circular A-133. Other engagements with the State of West Virginia include the West Virginia Department of Transportation, West Virginia Division of Highways, West Virginia Public Employees Insurance Agency, West Virginia Insurance Commission, WORKFORCE West Virginia, West Virginia Economic Development Authority, West Virginia Lottery, and five West Virginia Colleges and Universities.

We have served numerous other governmental 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. Our current client, the West Virginia Division of Highways and our former clients, the West Virginia Lottery and the West Virginia Public Employee's Insurance Agency 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. 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." We will be pleased to assist the Authority in its pursuit of a GFOA Certificate of Excellence in Financial Reporting.

GOVERNMENT AUDIT QUALITY CENTER AND EMPLOYEE BENEFIT PLAN AUDIT QUALITY CENTER

The AICPA recently established the Governmental Audit Quality Center (GAQC) and Employee Benefit Plan Audit Quality Center (EBPAQC) in order to promote the importance of quality governmental and employee benefit plan audits and the value of such audits to purchasers of audit services. The GAQC and EBPAQC offer various resources including periodic news alerts, updates, and webcasts to enhance the quality of a firm's governmental and benefit plan audits. The GAQC and EBPAQC are voluntary membership centers designed to help CPAs meet the challenges of performing quality audits in the governmental arena.

We demonstrated our commitment to quality governmental and benefit plan auditing by joining both the GAQC and EBPAQC within months after they were established. Their news alerts and updates are circulated to all applicable audit staff and many attend various webcasts.

PKF NORTH AMERICAN NETWORK

Suttle & Stalnaker, PLLC is a member of PKF North American Network, (PKF). PKF is a national and international association of independent certified public accounting firms, provides its members with continuing professional education, quality control, technical support, and marketing services.

Location. National and international

Statistics. PKF includes over 200 member firms throughout the United States, Canada, Mexico, Europe and the Far East. PKF offers a network of experience and expertise covering a wide range of industries and client services on a regional, national and international basis. Admission is by invitation only.

PKF North American Network strengthens the practices of its member firms in a variety of ways:

- increased representation throughout the world
- access to specialized knowledge and expertise throughout the PKF North American Network association of firms
- superior professional education
- marketing and practice development support
- a library of best practices materials
- a network of international public accounting firms, through affiliation with PKF International, to meet their international needs

PKF North American Network and PKF International *As of December 1, 2008*

	<u>PKF North American Network</u>	<u>PKF International</u>	<u>Combined</u>
Number of member Firms	85	146	231
Combined Net Fees of member Firms (in millions, U.S.)	\$700	\$1,320	\$2,020
Total Partners-Member Firms	827	2,073	2,900
Total Staff-Member Firms	4,899	9,801	14,700
Countries in which member Firms reside	3	116	119

PKF North American Network *Membership as of December 1, 2008*

Number of Firms with One Office:	44
Number of Firms with Multiple Offices:	41
Largest Firm Revenue:	\$23,433,700
Smallest Firm Revenue:	\$754,400
Average Firm Revenue:	\$8,234,300
Locations:	184
Number of States:	37
Number of Canadian Provinces:	6
Number of Mexican Provinces:	22

SPECIFIC PRIOR ENGAGEMENTS AND REFERENCES

The following pages include specific prior engagements and references for all firm contributing resources to the engagement.

SUTTLE & STALNAKER, PLLC
PRIOR ENGAGEMENTS WITH THE STATE OF WEST VIRGINIA

Engagement	Scope of Work	Date	Engagement Member	Avg. Annual Hours	Client Contact	Telephone Number
Single Audit of State of WV	Participation in financial and compliance auditing for several departments, including numerous federal award programs	1986 thru present	Chris Deweese	3,500	Ross Taylor/ Chris Sforza	558-4083
WV DOT/DOH	Annual Financial Statement Audit including assistance with CAFR and FARS forms	2001 thru present	Horace Emery/ Chris Deweese	3,000	Fred Thomas	558-2841
WV Insurance Commission	Annual Financial Statement Audit	2000 thru present	Horace Emery	1,250	Melinda Ashworth Kiss	558-8344
WORKFORCE West Virginia	Annual Financial Statement Audit	2000 thru present	Chris Deweese	300	Kelley Goes	558-2633
WV PEIA	Annual Financial Statement Audit including assistance with CAFR and FARS forms	2001 thru 2002	Horace Emery	400	Jason Haught	558-7850
State Colleges and Universities	Annual Financial Statement Audit	2004 thru present	Chris Deweese	1,500	Dennis Taylor	558-4016
West Virginia Economic Development Authority	Annual Financial Statement Audit	2006 thru present	Chris Deweese	350	David Warner	558-3650
NOTE: ALL WORK WAS PERFORMED OUT OF THE CHARLESTON, WEST VIRGINIA OFFICE.						

ASSISTANCE WITH ACCOUNTING ISSUES AND REPORTING REQUIREMENTS

Our Firm believes in assisting our clients in understanding new accounting and reporting requirements that arise from time to time. We will be available as needed to assist with these and any other assistance requested as long as the services do not threaten our independence in accordance with professional standards. Please see the Scope and Planning of Work Section of this proposal for information related to new pronouncements that may affect the Authority's financial statements.

INDEPENDENCE AND CONFLICTS OF INTEREST

All professional personnel must be familiar with and adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, the State of West Virginia Board of Accountancy, the West Virginia Society of CPAs, the U.S. Government Accountability Office, State statutes, and regulatory agencies under which we practice. In this regard, any transaction, event, or circumstance that would impair the Firm's independence on review, audit, forecast, projection, or attestation engagements is prohibited.

Suttle & Stalnaker, PLLC and all of the proposed subcontractors are independent of the Authority and related systems, the State of West Virginia, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States, United States General Accounting Office.

Suttle & Stalnaker, PLLC and all of the proposed subcontractors have no relationship with any known major vendors or contractors to the Authority and related systems. In addition, Suttle & Stalnaker, PLLC agrees to give the Authority written notice of any professional relationships entered into during the period of this agreement with any major contractors as defined in West Virginia code Section 29-22-23.

We affirm to the best of our knowledge and belief that neither the firm, nor any of its members, employees, or subcontractors presently have any interest and shall not acquire any interest, direct or indirect which would conflict or compromise in any manner or degree with the performance of its services hereunder. We further covenant that during the period of the contract, we shall periodically inquire of our members, employees and any subcontractors, concerning such interests. Any such interests discovered shall be promptly presented in detail to the Authority.

SECTION IV - COST

COST PROPOSAL FOR AUDIT SERVICES

	<u>Rate</u>	<u>Hours</u>	<u>Cost</u>
Partner / Member	\$260	19	\$ 4,940
Manager / Supervisor	140	26	3,640
Senior	110	89	9,790
Staff	100	<u>66</u>	<u>6,600</u>
		<u>200</u>	<u>\$ 24,970</u>

These fees do not include services that fall outside the scope of the audit. For example, accounting assistance from us in resolving unreconciled differences in accounting records or supporting account balances would fall outside the scope of our audit, as would implementation of significant new technical standards.

Additionally, our fees are based on the current state of operation. Should significant changes occur (i.e., significant expansion in existing operations), we will need to reevaluate our scope and audit approach. In the event these types of situations arise, it is our practice to discuss these types of issues with management before we would proceed so as to obtain management's authorization and to develop the best approach to solve the problem.

COST PROPOSAL FOR ADDITIONAL SERVICES

<u>Classification</u>	<u>Hourly Rates</u>
Partner / Member	\$260
Manager / Supervisor	\$140
Senior	\$110
Staff	\$100

We understand that no changes in scope to the project will be implemented by us until such time as an approved change order is received. Formal contract amendments and change orders will be negotiated with the Authority, whenever necessary, to address changes to the terms and conditions, cost of, or scope of work included under the contract. An approved contract amendment means one approved by the Authority, the Department of Administration, and all other applicable State agencies prior to the effective date of such amendment. An approved contract amendment is required whenever the change affects the payment provision and the scope of the work. Such changes may be necessitated by new and amended federal and state regulations and requirements. No changes in scope are to be conducted except at the approval of the Authority.

We will submit invoices to the Authority for all services provided pursuant to the terms of the contract. Progress payments will be made on a monthly basis based upon the percentage of work completed. We will work with the Authority management to develop a mutually agreeable proposed billing work plan.

REQUEST FOR PROPOSAL



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

Request for Quotation

RFQ NUMBER
RJC673

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
JOHN ABBOTT
304-558-2544

VENDOR

*709043333 304-343-4126
 SUTTLE & STALNAKER PLLC
 THE VIRGINIA CENTER SUITE 100
 1411 VIRGINIA STREET EAST
 CHARLESTON WV 25301

SHIP TO

REG'L JAIL & CORR'L AUTH'Y
 1325 VIRGINIA STREET EAST
 CHARLESTON, WV
 25301 304-558-2110

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
05/24/2009				

BID OPENING DATE: **06/18/2009** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		946-20		
<p>AUDITING SERVICES</p> <p>CONTRACT TO PROVIDE AUDITING SERVICES FOR THE WEST VIRGINIA REGIONAL JAIL & CORRECTIONAL AUTHORITY, PER THE SPECIFICATIONS.</p> <p>MANDATORY PRE-BID: JUNE 10, 2009; 10:00 AM WVRJCA 1325 VIRGINIA STREET, EAST CHARLESTON, WV 25301</p> <p>EXHIBIT 10</p> <p>REQUISITION NO.:</p> <p>ADDENDUM ACKNOWLEDGEMENT</p> <p>I HEREBY ACKNOWLEDGE RECEIPT OF THE FOLLOWING CHECKED ADDENDUM(S) AND HAVE MADE THE NECESSARY REVISIONS TO MY PROPOSAL, PLANS AND/OR SPECIFICATION, ETC.</p> <p>ADDENDUM NO.'S:</p> <p>NO. 1</p> <p>NO. 2</p> <p>NO. 3</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE Chris Lambert TELEPHONE 304.343-4126 DATE 6/18/2009
 TITLE Member FEIN 55-0538163 ADDRESS CHANGES TO BE NOTED ABOVE

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

**GENERAL TERMS & CONDITIONS
REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)**

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. All quotations are governed by the *West Virginia Code* and the *Legislative Rules* of the Purchasing Division.
4. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125 fee.
5. All services performed or goods delivered under State Purchase Order/Contracts are to be continued for the term of the Purchase Order/Contracts, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods, this Purchase Order/Contract becomes void and of no effect after June 30.
6. Payment may only be made after the delivery and acceptance of goods or services.
7. Interest may be paid for late payment in accordance with the *West Virginia Code*.
8. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
9. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
10. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
11. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern all rights and duties under the Contract, including without limitation the validity of this Purchase Order/Contract.
12. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
13. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, the State may deem this contract null and void, and terminate such contract without further order.
14. **HIPAA BUSINESS ASSOCIATE ADDENDUM:** The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, and available online at the Purchasing Division's web site (<http://www.state.wv.us/admin/purchase/vrc/hipaa.htm>) is hereby made part of the agreement. Provided that, the Agency meets the definition of a Cover Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.
15. **WEST VIRGINIA ALCOHOL & DRUG-FREE WORKPLACE ACT:** If this Contract constitutes a public improvement construction contract as set forth in Article 1D, Chapter 21 of the West Virginia Code ("The West Virginia Alcohol and Drug-Free Workplace Act"), then the following language shall hereby become part of this Contract: "The contractor and its subcontractors shall implement and maintain a written drug-free workplace policy in compliance with the West Virginia Alcohol and Drug-Free Workplace Act, as set forth in Article 1D, Chapter 21 of the West Virginia Code. The contractor and its subcontractors shall provide a sworn statement in writing, under the penalties of perjury, that they maintain a valid drug-free work place policy in compliance with the West Virginia and Drug-Free Workplace Act. It is understood and agreed that this Contract shall be cancelled by the awarding authority if the Contractor: 1) Fails to implement its drug-free workplace policy; 2) Fails to provide information regarding implementation of the contractor's drug-free workplace policy at the request of the public authority; or 3) Provides to the public authority false information regarding the contractor's drug-free workplace policy."

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division.
2. **SPECIFICATIONS:** Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Complete all sections of the quotation form.
4. Unit prices shall prevail in case of discrepancy.
5. All quotations are considered F.O.B destination unless alternate shipping terms are clearly identified in the quotation.
6. **BID SUBMISSION:** All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications: Department of Administration, Purchasing Division, 2019 Washington Street East, P.O. Box 50130, Charleston, WV 25305-0130



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

**Request for
 Quotation**

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ADDRESS CORRESPONDENCE TO ATTENTION OF:
JOHN ABBOTT 304-558-2544

MUNICIPALITY

*709043333 304-343-4126
 SUTTLE & STALNAKER PLLC
 THE VIRGINIA CENTER SUITE 100
 1411 VIRGINIA STREET EAST
 CHARLESTON WV 25301

SHIELD

REG'L JAIL & CORR'L AUTH'Y

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 CHARLESTON, WV
 25301 304-558-2110

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
05/24/2009				

BID OPENING DATE: 06/18/2009 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
	NO. 4					
	NO. 5					
<p>I UNDERSTAND THAT FAILURE TO CONFIRM THE RECEIPT OF THE ADDENDUM(S) MAY BE CAUSE FOR REJECTION OF BIDS.</p> <p>VENDOR MUST CLEARLY UNDERSTAND THAT ANY VERBAL REPRESENTATION MADE OR ASSUMED TO BE MADE DURING ANY ORAL DISCUSSION HELD BETWEEN VENDOR'S REPRESENTATIVES AND ANY STATE PERSONNEL IS NOT BINDING. ONLY THE INFORMATION ISSUED IN WRITING AND ADDED TO THE SPECIFICATIONS BY AN OFFICIAL ADDENDUM IS BINDING.</p> <p style="text-align: center;"> <i>Chris Lambert</i> SIGNATURE <i>Suttle + Stalnakar, PLLC</i> COMPANY <i>6/18/2009</i> DATE </p>						
REV. 11/96						
NOTICE						
A SIGNED BID MUST BE SUBMITTED TO:						
DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION BUILDING 15 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
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TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
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WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



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 2019 Washington Street East
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 CHARLESTON, WV
 25301 304-558-2110

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
05/24/2009				
BID OPENING DATE: 06/18/2009		BID OPENING TIME 01:30PM		

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
***** THIS IS THE END OF RFQ RJC673 ***** TOTAL:						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE

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

Regional Jail and Correctional Facility Authority

I. Introduction

A. General Information

The Regional Jail and Correctional Facility Authority of the State of West Virginia, hereinafter referred to as the "Authority", is requesting bids from qualified firms of certified public accountants to audit its financial statements of the Regional Jail and Correctional Facility Authority Development Fund, including the Operational Accounts and the Bond Revenue Accounts for the fiscal year ending June 30, 2009, with the option of auditing its financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards as well as the requirements of the Regional Jail and Correctional Facility Authority and the West Virginia State Code, especially section 5A-2-3S(10), 5-10D-1 et seq., 31-20-1 et seq., and the provisions contained in this RFQ.

There is no expressed or implied obligation for the Authority to reimburse responding firms for any expenses incurred in preparing quotations in response to this request.

A mandatory pre-bid conference for all the firms interested in submitting a quotation will be held at 10:00 a.m., Wednesday, June 10, 2009 in the Conference Room of the West Virginia Regional Jail Authority, 1325 Virginia Street East, Charleston, West Virginia to answer questions about the engagement.

II. Nature of Services Required

A. General

The Authority is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2009, with the option to audit the Authority's financial statements for each of the two (2) subsequent fiscal years and to provide support and technical assistance to the Authority's accounting staff in the preparation of financial statements, reports and documents necessary for compliance with the Comprehensive Annual Financial Report of the State of West Virginia and the requirements of the West Virginia Financial Accounting and Reporting Section of the Department of Administration in connection with Generally Accepted Accounting Principles, Government Audit Standards, and other applicable laws and regulations. These audits are to be performed in accordance with the provisions contained in this request for quotations.

B. Scope of Work to be Performed

1. The Authority desires the audit firm to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.

2. The Authority is responsible for the construction of regional jails and correctional facilities and the operation of regional jails. The Authority anticipates that it will issue one Comprehensive Annual Financial Report (CAFR) that will contain the audited financial statements of the following accounts for the year ending June 30, 2009:

Regional Jail and Correctional Facility Development Fund;

Regional Jail Operational Accounts;

Appropriated General Revenue Capital Outlay Account;

Bond Revenue Accounts;

Debt Service Revenue Account; and

all other accounts under Authority control

3. The Authority desires the audit firm to express an opinion on the fair presentation of the combining and individual financial statements and schedules of the above accounts in conformity with generally accepted accounting principles.

4. The audit firm is required to give an "in relation to" opinion on the additional financial information schedules required by the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration.

5. The audit firm shall also be responsible for performing certain limited procedures involving supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

6. The audit firm shall also be responsible for providing support and technical assistance to the accounting staff of the Authority to assist them in meeting the requirements of the Comprehensive Annual Financial Report and other requirements of the Financial Accounting Section of the Department of Administration in the preparation and presentation of financial statements.

C. Reports to be Issued

1. Following the completion of the audit of the fiscal year's financial statements, the audit firm shall issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles and in accordance with Government Auditing Standards. As discussed above, it is the intention of the Authority to issue a bound set of Financial Statements. The Authority expects the selected audit firm to assist in designing and preparing these reports.

2. Irregularities and Illegal Acts. Audit firms shall be required to make to the Comptroller of the Financial Accounting and Reporting Section of the Department of Administration, 2102 Washington Street East, Building 17, 3rd floor, Charleston, WV 25305, under the authority of Section 5A-2-33 of the State Code an immediate, written report of all irregularities and illegal acts of which they become aware.

3. Reporting to Regional Jail and Correctional Facility Authority Board. Audit firms shall assure themselves that the Authority is informed of each of the following:

1. The audit firm's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

D. Special Considerations

The financial statements of the Authority are to be included as a component unit of the financial statements of the State of West Virginia. It is anticipated that the audit firm will be required to provide special assistance to the State of West Virginia's auditors and the accounting staff of the Authority and FARS.

1. Any issues that arise during the course of the audit that could cause delays in the issuance of the report or have an adverse impact on the audit opinion must be immediately reported to Mark Landin, the Authority's Chief Financial Officer. A written summary of the issues must be provided within 24 hours.

E. Working Paper Retention and Access to Working Papers

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

papers available, upon request, to the following parties or their designees:

Financial Accounting and Reporting Section

Department of Administration

or

Regional Jail and Correctional Facility Authority

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

III. Description of the Regional Jail and Correctional Facility Authority

A. Name of Contact Persons

The audit firm's principal contact with the Authority will be the Executive Director; Mark Landin, Chief Financial Officer, Tony Davis, Fiscal Manager; or a designated representative, who will coordinate the assistance to be provided by the Authority to the audit firm.

B. Background Information

The Regional Jail and Correctional Facility Authority of the State of West Virginia administer the following accounts:

Regional Jail and Correctional Facility Development Fund;

Regional Jail Operational Accounts;

Appropriated General Revenue Capital Outlay Account;

Bond Revenue Accounts

Debt Service Revenue Account; and

all other accounts under Authority control

C. Fund Structure/Method of Reporting

Each of the above accounts and the Debt Service Fund, with the exception of the Appropriated General Revenue Capital Outlay Account, is considered a Special Revenue Fund.

D. Component Units

The West Virginia Regional Jail and Correctional Facility Authority is a component unit of the State of West Virginia. It is anticipated that the financial statements will be included in the Comprehensive Annual Fiscal Report (CAFR) of the State of West Virginia. Because of this requirement, a draft copy of the audited financial statements for the year ending June 30, 2009 must be delivered to the State by September 15, 2009. The final, audited financial statements for the year ending June 30, 2009 and each succeeding year must be delivered to the State by October 15th of that year. The requirements of the Financial Accounting and Reporting Section must be completed and an "in relation to" opinion rendered on the supplemental forms.

E. Financial Operations

The above named accounts are presently maintained on PC based spreadsheets developed by Authority staff in Excel software; some work sheets continue to be maintained manually.

F. Availability of Prior Year's Reports and Work Papers/Implementation Plan Audited Financial Statements for the fiscal years 2006, 2007, and 2008 can be made available. Additional worksheet and other information concerning these three fiscal years can be obtained from Gibbons & Kawash, Certified Public Accountants.

G. Audit of Investments

The investment of the Bond Revenue Accounts is managed by the Trustee, United National Bank. The investments of the Development Fund and the Operation Accounts are managed and in the custody of the Investment Management Board of the State of West Virginia. The Investment Management Board is audited by independent certified public accountants. The audit firm will be required by the Authority to rely on this audit work to the fullest extent.

IV. Time Requirements

A. Schedule for the 2009 Fiscal Year Audit

Each of the following shall be completed by the audit firm no later than the dates indicated. These dates apply to the 2009 audit only. All years will require final reports by October 15th of each year.

1. Interim Work

The audit firm shall complete all interim work by July 31, 2009.

2. Detailed Audit Plan

The audit firm shall provide the Authority both a detailed audit plan and a

list of all schedules to be prepared by the Authority by July 31, 2009.

3. Draft Reports

The audit firm shall have drafts of the audit report(s) and recommendations to management available to review by the Executive Director by September 15, 2009.

* Entrance Conferences, Progress Reporting and Exit Conferences

At a minimum, the following conferences shall be held by the dates indicated on the schedule:

Entrance Conference with Authority staff within two (2) weeks of award.

* The purpose of this meeting will be to discuss audit problems and the interim work to be performed. This meeting will also be used to establish an overall liaison for the audit and to make arrangement for work space and other needs of the audit firm.

Semi-monthly Progress Conference with audit firm's supervisory staff

* The purpose of these meetings will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested.

Exit Conference with managers

* The purpose of this meeting will be to summarize the results of the field work and to review significant findings.

4. Date Final Report is Due

The Final Report for Fiscal Year 2009 is due to FARS on October 15, 2009.

The Executive Director will complete his/her review of the draft as expeditiously as possible. It is not expected that this process shall exceed one week. During that period, the audit firm shall be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Executive Director within seven (7) working days. It is anticipated that this process will be completed and the final report delivered to FARS by October 15, 2009.

The final report and ten (10) signed copies shall be delivered to the Executive Director.

V. Assistance to be Provided to the Audit Firm and Report Preparation

A. Accounting Department and Clerical Assistance

The accounting staff of the Authority and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the audit firm. In addition, an appropriate number of hours of clerical support will be made available to the audit firm for the preparation of routine letter and memoranda.

B. Internal Audit Assistance

No internal audit support will be available

C. Authority Records

The Authority does not maintain a general ledger accounting system to accumulate all transactions and accounts for financial reporting. The Auditor will be required to provide assistance in extracting information from existing Authority reports for the preparation of the final report.

D. Work Area, Telephones, Photocopying and FAX Machines

Report preparation, editing and printing shall be the responsibility of the audit firm. Appropriate space will be provided for the audit firm.

E. Independence

1. The audit firm shall provide an affirmative statement that it is independent of the Authority and Related Systems as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards* (2007).

2. The firm also shall 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.

3. In addition, the audit firm shall give the Authority written notice of any professional relationships entered into during the period of this agreement which may cause a conflict of interest.

F. License to Practice in West Virginia

1. An affirmative statement shall be included indicating that the firm and all assigned key professional staff are properly licensed to practice in West Virginia.

G. Firm Qualifications and Experience

1. The audit firm should submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.
2. The audit firm should also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.
3. The audit firm shall have five (5) years governmental audit experience.

H. Partner, Supervisory and Staff Qualifications and Experience

1. The audit firm should identify the principal supervisory and management staff including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in West Virginia.
2. The audit firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education within the last two (2) years, of the specific staff to be assigned to this engagement. The audit firm also shall indicate how the quality of staff over the term of the agreement will be assured.
3. Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the audit firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the Authority. However, in either case, the Authority retains the right to approve or reject replacements.
4. Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

I. Prior Engagements with the State of West Virginia

1. The audit firm should list separately all engagements within the last five (5) years, ranked on the basis of total staff hours, for the State of West Virginia by type of engagement (i.e., audit, management advisory services, other).

J. Similar Engagements with Other Government Entities

1. The audit firm should list the most significant engagements (maximum of five) performed in the last five (5) years that are similar to the engagement described in this request for quotations.
2. The audit firm shall provide three (3) references from similar audit

engagements with governmental entities.

K. Specific Audit Approach

1 The quotations shall set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for quotations.

Bidders will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement which at a minimum will be for each of the accounts administered by the Authority.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement.
- d. Extent of use of EDP software in the engagement.
- e. Type and extent of analytical procedures to be used in the engagement.
- f. Approach to be taken to gain and document an understanding of the Authority's internal control structure.
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.
- i. Integration of the audit approach and the separate audit of the accounts investments held by both the Trustee and the State Board of Investments.

VI. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement of out-of-pocket expenses incurred in accordance with the audit firm's dollar cost bid proposal. Interim billings shall cover a period of not less than a calendar month.

VII. Liquidated Damages

According to West Virginia State code Chapter 5A-3-4 (8), Vendor agrees that liquidated damages shall be imposed at the rate of \$100.00 per day for failure to meet specified and required deadlines. This clause shall not limit the State or Agency's right to pursue any other additional remedy to which the State or Agency may have legal cause for action including further damages against the Vendor.

Schedule of Total Professional Fees and Expenses for the Audit of
The 2009 Financial Statements

	Estimated Hours		Hourly Rates		Amount
Partners	20	x	\$ _____	=	\$ _____
Managers	40	x	\$ _____	=	\$ _____
Supervisory Staff	40	x	\$ _____	=	\$ _____
Staff	30	x	\$ _____	=	\$ _____
Support Staff	20	x	\$ _____	=	\$ _____
Other (specify)	10	x	\$ _____	=	\$ _____
Total all-inclusive maximum price for 2009 audit and other services described in this request for quotation.			TOTAL		\$ _____

Please see page 52 of our proposal.

VENDOR PREFERENCE CERTIFICATE

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

- 1. Application is made for 2.5% resident vendor preference for the reason checked:
 Bidder is an individual resident vendor and has resided continuously in West Virginia for four (4) years immediately preceding the date of this certification; or,
 Bidder is a partnership, association or corporation resident vendor and has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or 80% of the ownership interest of Bidder is held by another individual, partnership, association or corporation resident vendor who has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or,
 Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification; or,
- 2. Application is made for 2.5% resident vendor preference for the reason checked:
 Bidder is a resident vendor who certifies that, during the life of the contract, on average at least 75% of the employees working on the project being bid are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; or,
- 3. Application is made for 2.5% resident vendor preference for the reason checked:
 Bidder is a nonresident vendor employing a minimum of one hundred state residents or is a nonresident vendor with an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virginia employing a minimum of one hundred state residents who certifies that during the life of the contract on average at least 75% of the employees or Bidder's affiliate's or subsidiary's employees are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; or,
- 4. Application is made for 5% resident vendor preference for the reason checked:
 Bidder meets either the requirement of both subdivisions (1) and (2) or subdivision (1) and (3) as stated above; or,
- 5. Application is made for 3.5% resident vendor preference who is a veteran for the reason checked:
 Bidder is an individual resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard and has resided in West Virginia continuously for the four years immediately preceding the date on which the bid is submitted; or,
- 6. Application is made for 3.5% resident vendor preference who is a veteran for the reason checked:
 Bidder is a resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard, if, for purposes of producing or distributing the commodities or completing the project which is the subject of the vendor's bid and continuously over the entire term of the project, on average at least seventy-five percent of the vendor's employees are residents of West Virginia who have resided in the state continuously for the two immediately preceding years

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

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

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

Bidder: Suttle & Stalnaker, PLLC Signed: Chris Lambert
Date: 4/18/2009 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

VENDOR OWING A DEBT TO THE STATE:

West Virginia Code §5A-3-10a provides that: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate

PUBLIC IMPROVEMENT CONTRACTS & DRUG-FREE WORKPLACE ACT:

If this is a solicitation for a public improvement construction contract, the vendor, by its signature below, affirms that it has a written plan for a drug-free workplace policy in compliance with Article 1D, Chapter 21 of the *West Virginia Code*. The vendor must make said affirmation with its bid submission. Further, public improvement construction contract may not be awarded to a vendor who does not have a written plan for a drug-free workplace policy in compliance with Article 1D, Chapter 21 of the *West Virginia Code* and who has not submitted that plan to the appropriate contracting authority in timely fashion. For a vendor who is a subcontractor, compliance with Section 5, Article 1D, Chapter 21 of the *West Virginia Code* may take place before their work on the public improvement is begun

ANTITRUST:

In submitting a bid to any agency for the state of West Virginia, the bidder offers and agrees that if the bid is accepted the bidder will 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 the bidder.

I certify that this bid is made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership or person or entity submitting a bid for the same materials, supplies, equipment or services and is in all respects fair and without collusion or fraud. I further certify that I am authorized to sign the certification on behalf of the bidder or this bid.

LICENSING:

Vendors 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 agencies or political subdivision. Furthermore, the vendor must provide all necessary releases to obtain information to enable the Director or spending unit to verify that the vendor is licensed and in good standing with the above entities

CONFIDENTIALITY:

The vendor agrees that he or she 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/noticeConfidentiality.pdf>

Under penalty of law for false swearing (*West Virginia Code* §61-5-3), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

Vendor's Name: Suttle & Stalnaker, PLLC
Authorized Signature: Chris Lambert Date: 6/18/2009