

Request for quotation to provide
auditing services to the

West Virginia Consolidated Public Retirement Board

RE: West Virginia Consolidated Public Retirement Board's
Request for Quotation CPR14026

July 29, 2014

ORIGINAL

Submitted by: Ernst & Young LLP
900 United Center, 500 Virginia Street East
Charleston, WV 25301

Contact: Susan P. Wheeler, Coordinating and Office Managing Partner
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07/29/14 01:24:03PM
West Virginia Purchasing Division



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Title page

RFQ subject: An audit of the Annual Financial Statement Audit, Comprehensive Annual Financial Report (CAFR) Compliance, U.S. Department of Health and Human Resources (DHHS)

RFQ number: CPR14026

Vendor's name: Ernst & Young LLP

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

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Fax number: +1 866 264 1907

Name of contact person: Susan P. Wheeler

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

Vendor signature: Ernst & Young LLP by: Susan Wheeler

Date: July 25, 2014



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Mr. Darden J. Greene
West Virginia Consolidated Public Retirement Board
4101 MacCorkle Avenue SE
Charleston, WV 25304

July 29, 2014

Re: Response to request for quotation (RFQ) to provide auditing services

Dear Mr. Greene:

Thank you for the opportunity to present our proposal and demonstrate our experience to serve the West Virginia Consolidated Public Retirement Board (CPRB). We understand that considerable thought goes into your selection of a professional services firm, and we sincerely appreciate having the opportunity to demonstrate why we are the right choice for CPRB. We bring a strong network for all services, a strong coordinating partner, a strong local team and the ability to deliver relevant thought leadership specific to the public sector and employee benefit plan industries. We are also the current auditors of the State of West Virginia. Selecting Ernst & Young LLP (EY) to audit the employee benefit plans of the State is a natural, seamless extension of what we do every day!

We believe that EY is clearly the most qualified firm to serve as your external auditor. The numerous and significant benefits to CPRB are discussed in more detail in our proposal. The following are some of those attributes that highly qualify us as your provider of choice:

- ▶ **Local resources ready to respond at a moment's notice** - The nucleus of your engagement team resides in Charleston and therefore is available on short notice. In today's environment, success depends on speed, and problem solving must be in real time. It cannot be conference calls or plane rides.
- ▶ **Commitment to West Virginia** - EY has demonstrated our commitment to West Virginia by helping the state's business community grow and prosper for 60 years. While other national and international firms have come and gone, our "West Virginia work ethic" has continued to allow us to live and work in the state we call home. We are West Virginians serving West Virginia! Our Charleston office provides services to state government, employee benefit plans, financial services, health care, insurance, mining, distribution and manufacturing entities across the state. We serve six public companies, three international clients and a Fortune 500 company from our Charleston office. We live here, we work here, we pay taxes here, and we invest our time and talents to make our state a better place.
- ▶ **Industry experience** - We know the public sector and employee benefit plan industries better than any other audit firm. Your audit team, including our actuarial specialists, are all employees of EY. This means a team providing seamless communication to you. We can bring the right experience and knowledge to our work as your professional service provider. We are knowledgeable about the issues that you face as we are the auditors of the State of West Virginia. We understand the accounting and auditing issues and auditing CPRB will be an extension of the services we already provide. You will gain efficiencies in our approach. We are the leading audit services provider to the public sector and employee benefit plan markets, and our market strength and experienced local, regional and national resources demonstrate our ability to fulfill your present and future needs.
- ▶ **Focused on the technical matters that are important to you** - We understand the technical matters that are critical to CPRB. GASB 67 and 68 are a substantial, once-in-a-generation set of accounting standards on pensions. GASB 25 and 27 were over 20 years ago. EY was involved in developing the American Institute of Certified Public Accountants (AICPA) whitepapers and the related auditing interpretations. We were at the table first during their development. We will bring that perspective to CPRB and the State. You have already experienced our commitment through our leading practices and discussions with our leading technical resources, including John Good who is a member of your engagement team. This thought leadership distinguishes us from our competition.
- ▶ **An enthusiastic team** - We have provided a highly talented service team of experienced professionals who can hit the ground running in providing services to CPRB. We are excited to serve you. There will be no need for any of our team



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members to “learn the industry,” which would be very disruptive to you. Your team consists of local professionals with relevant experience. These professionals are available to meet with you on a real-time basis and are supplemented by subject matter resources to enable CPRB to have the service that CPRB expects from a professional services firm. Our specialists work alongside our Assurance professionals, comprised mainly of our local team, so we can deliver proactive, valuable advice. The geographic location of our subject matter resources will be seamless. These specialists are employees of EY, which is critical in our ability to comply with your deadline. Your coordinating partner will be involved throughout the entire process, including planning. We understand the importance of timely identification of items or concerns so that they can be discussed and addressed in a proactive manner.

- ▶ **A commitment to client service, continuous communication and relevant insight** - We will provide in all levels of management open access; proactive service; and frequent, candid and open communication by developing collaborative service and communication protocols formalized with CPRB’s direction and input. We are convinced that continuous communication throughout the year is paramount to the success of the relationship, and we are committed to complying with those expectations. We also are committed to having our entire team involved throughout the entire audit process to make certain that such items are addressed in a timely manner. Our dynamic plan keeps us in touch with your needs and expectations to eliminate surprises. This includes the technical consultation process where our professional practice director will work with our team to provide timely answers to specific accounting issues. We will provide various education and communications on the latest accounting and auditing to CPRB.
- ▶ **Fair and transparent fees** - We strive to eliminate surprises and hidden charges, and provide just fair and transparent fees. This includes routine questions where you will not see a bill unless we discuss the fee in advance and mutually agree to it.

We recognize that this document only can tell, but not show, you about our commitment. You have our personal commitment that our team will serve CPRB with uncompromising quality. We have a record of anticipating needs, fulfilling promises, responding to issues and serving with professional excellence. CPRB should expect no less of us. Our track record established while serving the West Virginia business community since 1952—teamwork, responsiveness, fair fees and value for your audit dollar—is your evidence that we will deliver.

If you have any questions about the information we have presented, please do not hesitate to contact me at +1 304 357 5974 or via email at susan.wheeler@ey.com.

Sincerely,

Susan Wheeler
Coordinating and Office Managing Partner

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Our response to your RFQ

EY has adhered to the instructions of the CPRB provided in preparing and submitting this response to your RFQ. The following requirements have been met by EY.

Why EY?

We are truly excited about the opportunity to become the professional services provider for CPRB. CPRB will be an important addition to our list of high-profile public sector clients. Our many years of serving public sector and employee benefit plan clients in the state of West Virginia provide us with an understanding of the accounting, auditing and investment management issues facing CPRB today. Because of our past experience, we know your business environment and have a keen awareness of what is required of your independent accounting firm. That is why we've assembled a team of professionals who offer excellent public sector and financial services skills to serve you. These professionals can offer a fresh perspective by providing practical ideas on how to improve your financial operations. It's a local team with outstanding experience, backed by one of the largest professional services firms serving the public sector and financial services industries today. The following information describes why we are best qualified to serve you.

Firm qualifications

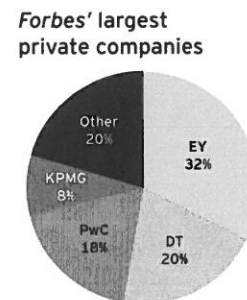
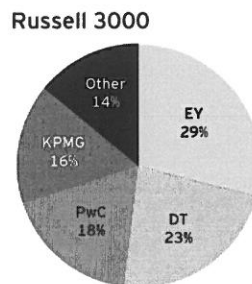
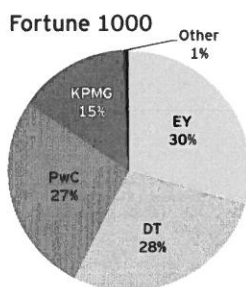
EY's general global strength

EY is a global leader in assurance, tax, transaction and advisory services. EY employs more than 190,000 people in 700 locations in 140 countries and has developed a leadership position in several industries, including public sector and employee benefit plan, insurance, financial services, health care, manufacturing and high technology, real estate and consumer products. We have consistently been named one of the world's top organizations in fostering opportunity, knowledge, technology innovation, work-life balance, quality and leadership.

We are organized globally with a central management team, strong regional partnerships, common governance and common partner performance measurement systems. EY professionals are empowered to think globally and act locally on our clients' behalf. Our people are enabled through a strong account management philosophy, supported by leading-edge knowledge management and seamless technology.

Our strong market position means you get the people, technology, knowledge and business insight to help meet your needs. Our Audit practice—our foundation and largest practice group – accounts for a majority of our total US revenue, with a larger percentage of our business coming from audit work than any of the other Big Four firms. In the United States, EY has the largest combined corporate audit and tax practice.

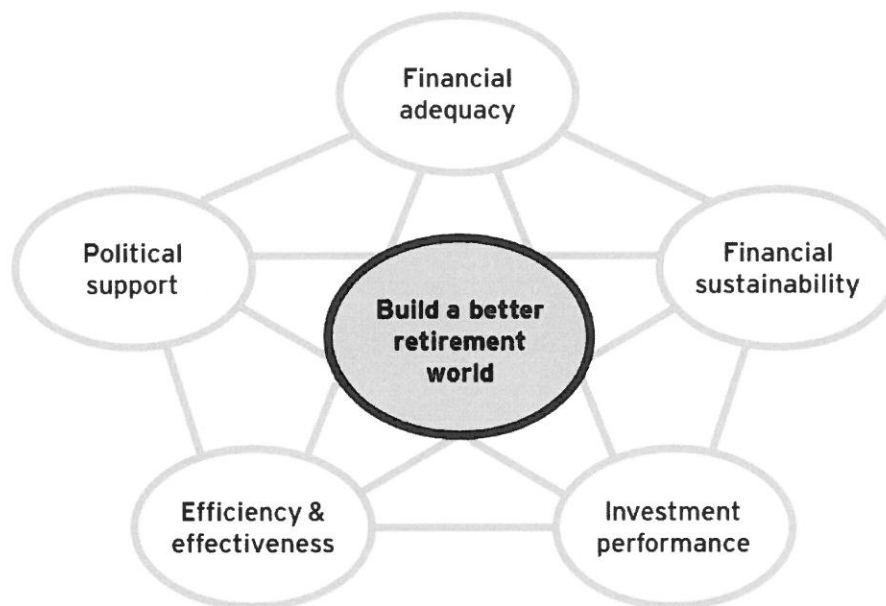
Our audit strength in the marketplace is demonstrated by the fact that nationally, EY currently ranks No. 1 among the Big Four firms in providing external audits to Russell 3000 Index companies, with a market share of 27.1%. We serve as independent auditors to 29.7% of the 2014 Fortune 1000—more than any other firm. EY is the leading auditor for companies within the Central Region. We rank No. 1 in market share among the Big Four in serving Fortune 1000 companies, Russell 3000 companies and *Forbes'* largest private companies.



EY's Governmental and Pension practices

Our Public Sector practice is comprised of professionals across the country who understand the issues facing state government agencies. With approximately 1,000 public sector industry-focused professionals who serve government clients across the country, the EY team has the depth of resources and knowledge to comply with CPRB's needs. We audit government clients, large and small, including states and state agencies, local governments, special districts and a number of large federal agencies, including the U.S. Departments of Health and Human Services and Education. Additionally, our local team has extensive government experience. Several of our team members serve the State of West Virginia and its agencies.

Additionally, we are a leading provider of assurance, pension, tax and advisory services to governmental agencies. Recently, we conducted more than 80 interviews with top representatives in 18 countries across the Americas, Asia-Pacific and Europe to obtain insights for better outcomes in the global pension and retirement market. These were held with governments, policy makers, regulators and pension industry executives within asset management, insurance and pension funds. And then we issued a thought leadership publication, *Building a better retirement world*, identifying five key components of a robust pension and retirement system.



1. **Financial adequacy.** How much will different beneficiaries need for their financial well-being in retirement? How much will governments and public and private sector employers need to provide in retirement benefits to attract and retain employees?
2. **Financial sustainability.** How much can governments, private sector plan sponsors, public sector entities and future beneficiaries afford to save over the long term to pay for pension and retirement benefits?
3. **Investment performance.** How can we maximize outcomes and the predictability of investments of pension and retirement assets?
4. **Efficiency and effectiveness.** How can these entities deliver on promises efficiently and effectively to all stakeholders while meeting their service expectations?
5. **Political support.** What is our long-term pension and retirement vision? What short-term trade-offs must be made to secure political backing?

As service providers, we are assisting policy makers, political and industry leaders across government and public and private sectors to make informed decisions on policy reform. We are supporting pension and retirement industry executives to make informed decisions about existing and evolving international business opportunities. This broad and deep knowledge base, when combined with the impressive bench strength and varying talents of our local and national team,

places EY in a powerful position to address CPRB's specific issues and opportunities in a timely, respectful and responsive manner.

EY in Charleston

Our Charleston office is part of our firm's Central Region, consisting of more than 7,000 professionals. As outlined in our proposed team below, our services will be delivered through personnel from our Charleston office, under the direction of Susan Wheeler, Coordinating and Office Managing Partner. Our Charleston office, with nearly 40 professionals, has been a part of the West Virginia community for 60 years. Our local staff serves government, banking, insurance, health care, energy, employee benefit, technology and manufacturing entities throughout West Virginia and the surrounding states. We audit many benefit plans whereby we are the auditors of both the plan sponsor and the benefit plan, and our clients have experienced the efficiencies gained by using the same audit firm. Because our professional resources are broad and deep, we can effectively work to comply with your needs and be available when and where you need us. Over 50% of the Charleston staff has experience serving the State of West Virginia and related agencies. Employees of the Charleston office are members of the AICPA, the West Virginia Society of Certified Public Accountants (WVSCPA), the Government Finance Officers Association (GFOA) and other professional organizations. Many of our professionals are also reviewers for the Special Review Committee of the GFOA's Excellence in Financial Reporting. Charleston office professionals will lead your engagement, supplemented by our other practices in other locations, as needed, to make certain that your deadlines are met.

Additionally, our long-standing commitment to the West Virginia marketplace means that you have local, experienced professionals in addition to the firm's leading industry and specific practice professionals. Approximately 89% of our hours will be incurred by professionals who live and work in West Virginia and are passionate about the State. Because we are local, we are flexible, able to provide resources as necessary and respond to issues when you need us to. Ultimately, this will provide for a more cost-effective and efficient audit than any other firm can provide. This will also enable our team to have better access to work with management. We will be able to perform our procedures throughout the year so you will receive value-driven feedback throughout the year and not after the audit is over. This will increase our effectiveness to you.

Not only are the professionals of EY's Charleston office the same professionals who will lead your audit, they are the professionals who are interested in making a difference in the West Virginia communities we serve. We spend many hours of our personal time each year working side by side with philanthropic organizations, businesses and others, putting our words into actions throughout West Virginia.

Firm status with public accounting profession

EY is proud of our record of quality work. EY performs hundreds of audits annually that must conform with Government Auditing Standards (GAS) and various federal audit regulations. On a selective basis, oversight organizations (e.g., federal inspectors general) have the authority to perform desk and quality control reviews, and they do so. As a matter of course, such quality control reviews have been made of EY's audit policies, procedures and practices by the U.S. Comptroller General of the General Accounting Office (GAO), federal inspectors general and state auditors. Some of our audits have been selected for federal or state desk or field review over the past three years. However, EY has not been subject to disciplinary action by state or federal regulatory bodies or professional organizations as a result of such reviews. The results of these reviews have supported the quality of our audits.

EY and our licensed professionals are qualified to practice as certified public accountants (CPAs) with the West Virginia Board of Accountancy. EY is in compliance with all applicable rules and regulations of the West Virginia Board of Accountancy. The firm has complied with organization and registration requirements and annually renews our registration with the West Virginia Board of Accountancy. EY is authorized to perform attest services in the state of West Virginia.

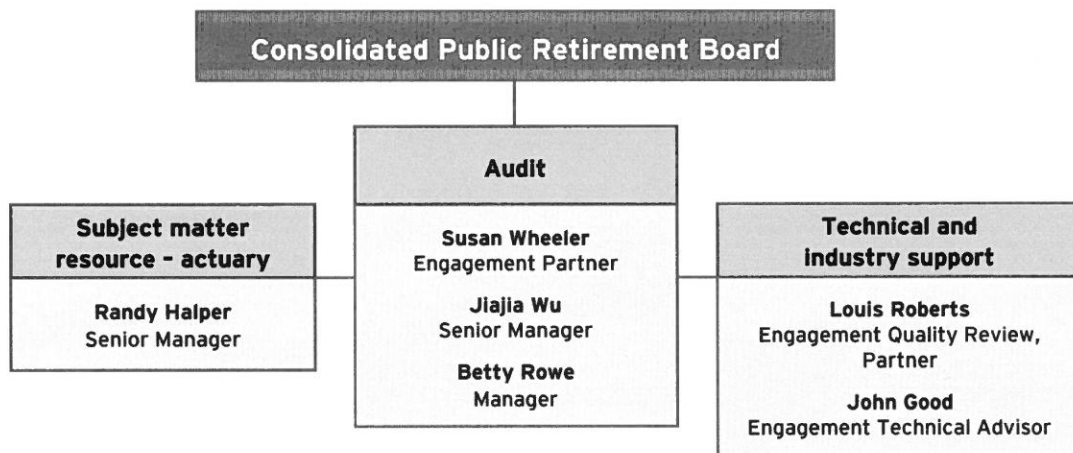
The EY executives who will perform your audit are CPAs in good standing with the West Virginia Board of Accountancy, the AICPA, the WVSCPA, and the GFOA. Additionally, our professional staff assigned to the engagement will maintain compliance with AICPA and GAS continuing professional education requirements.

Staffing qualifications and plan

Our market leadership, our roster of high-profile client companies and our investments in the development of our people differentiate EY as a highly sought place to work. Our success in creating and maintaining an excellent professional work environment is reflected in that we are the only Big Four firm to make the Fortune 100 Best Companies to Work For list for 16 consecutive years.

The experience and accessibility of the people who will work with you are crucial to the quality of your audit and the level of service and attention CPRB receives. At EY, our goal is to provide CPRB with a knowledgeable team that will comply with your needs and your expectations. Our team has a proven record of delivering quality audits, proactive communications and timely service to CPRB. They will continue to work together to provide you with seamless, well-coordinated services. This team will also provide the right level of focus and priority you deserve and offer prompt attention to any critical accounting issues that may arise.

We are extremely proud of the outstanding local team that will serve CPRB. Our team members have significant experience serving clients similar to CPRB, such as the State of West Virginia, Public Employees Insurance Agency, Retiree Health Benefits Trust Fund, and Board of Risk Insurance Management and employee benefit plans. Your engagement team has the experience and interaction with the State of West Virginia so that accounting issues impacting CPRB can be addressed timely and consistently with the State's financial reporting. No other firm can provide you with that seamless communication. Our local team will be supplemented with an actuarial team that has governmental pension experience and understands the unique characteristics of governmental accounting. A broad organization chart of our proposed team is as follows:



In addition to the key team members described previously, EY has other senior and staff auditors with the experience that you need. We will use these professionals and others as necessary to serve CPRB on this engagement. Susan has the ability to request, reassign and supplement resources on an as-needed basis. She will oversee the quality and flexibility of staff over the term of the engagement. She will make certain you have the quality staff assigned to your engagement when you need them.

Information technology systems

Our IT professionals are uniquely positioned to serve CPRB. We understand that you used the West Virginia Financial Information Management System during the fiscal year 2014. Being that we are the auditors of the State, we understand this system which will mean efficiencies for you. The State is implementing WVOasis, an Enterprise Resource Planning (ERP) system. This system will standardize and reduce the versions of software necessary for different state agencies including CPRB. Our IT professionals have extensive experience auditing ERP in a state government environment that we believe no other firm can match. We are currently working with the ERP implementation team and WV office of technology to provide industry best practices. No other firm has this experience with the State.

Leading-edge technology tools and knowledge resources

Throughout the firm, EY is driven by knowledge. Knowledge resources, along with our people and their approach to client service, distinguish us from our competition. We have developed technology and knowledge resources including audit software expressly to support our business process approach to conducting the audit. As depicted by the technologies described below, EY has built a robust set of technology and knowledge management tools that increase efficiency and effectiveness of the audit function, but we are not resting on our laurels. We are committed to investing in the future, constantly striving to enhance our tools and technology.

Sharepoint Workspace (SPW) is EY's real-time audit support tool. SPW drives consistent application of our global audit methodology and appropriate documentation of every EY audit. SPW also has reminder diagnostics, which help determine that audit procedures have been performed and properly documented. SPW workflow provides a disciplined, consistent approach to audit execution – encouraging performance of audit procedures at the appropriate time. In addition, SPW is a web-based tool which allows for timely, real-time performance and review of procedures. The engagement can be accessed by all engagement team members regardless of their location.

EY/GAAIT provides all of our audit staff with a full set of up-to-date technical references (GASB statements, auditing and other professional standards) and EY position statements. Current developments are communicated through our Accounting and Auditing News e-mails via Lotus Notes and are classified and maintained in our Accounting/Audit Publications databases. These resources are on each audit professional's laptop computer.

Audit Command Language® (ACL) can enable us to test literally 100% of transactions within any risk area, in minutes. This tool allows our teams to spend less time on administrative and manual review activities and more time in meaningful analysis. This tool will be utilized to analyze data such as claims and receivable information on the audit engagements.

EY/MicroSTART is an audit planning tool that assists in planning an effective and efficient audit strategy for those audit areas that involve sampling using the firm's Audit Risk Tables. It can be used to consider the audit strategy effects of testing controls beyond a walk-through, obtaining additional assurance from other substantive procedures (e.g., analytical procedures) and expanding tests of details on individual key items. This tool will be utilized in various areas including premium accounts receivable.

Lotus Notes Knowledge Bases and The Knowledge Web – These resources provide access to several hundred industry-related resources relevant to governmental and insurance accounting. Every member of the engagement team is equipped with a laptop computer that includes a loadset of these databases.

Contract terms and conditions

EY affirms to comply with the terms and conditions outlined in the request for quotation.

Meetings

We understand that communication is critical to a successful project. You have outlined your communication protocols. In addition, since your core team is a Charleston based team, we can easily accommodate revisions to this schedule at your direction if changes need to be made. You won't have to sacrifice the face-to-face real time meetings if you need to modify the communication protocol.

We will hold an Entrance Conference with CPRB staff. During this meeting we will discuss potential audit issues and the interim work to be performed. We will also establish an overall CPRB liaison for the audit and determine work space and other needs.

We will hold monthly progress conferences in order to summarize our results of the preliminary review and identify key internal controls or other matters to be tested. We will also hold an Exit Conference with the CPRB staff to summarize the results of the fieldwork and to review significant findings.

Other meetings and conference calls will be scheduled as necessary.

3. Qualifications

3.1. Firm must provide 3 references for work they have performed in the last 5 years conducting Government Pension System audits.

REQUIRED REFERENCE INFORMATION

1. **SYSTEM NAME:** State-Boston Retirement System

ADDRESS: Boston City Hall Room 816, Boston, Massachusetts 02201

CONTACT NAME: Jonathan Lucas, Comptroller

CONTACT PHONE #: +1 617 635 0776

TYPE OF SYSTEM: Multi-Employer Cost Sharing

(i.e. Multi - Employer Cost Sharing, Single Employer, Agent, etc...)

2. **SYSTEM NAME:** Five defined benefit plans and seven defined contribution plans for New Jersey Transit Corporation

ADDRESS: One Penn Plaza East, Newark, NJ 07105

CONTACT NAME: Patricia Smith, Senior Director of Financial Reporting

CONTACT PHONE #: +1 973 491 7616

TYPE OF SYSTEM: Single Employer

(i.e. Multi - Employer Cost Sharing, Single Employer, Agent, etc...)

3. **SYSTEM NAME:** City of Orlando General Employee, Police, and Fire pension funds (three separate plans)

ADDRESS: City of Orlando City Hall, Orlando, FL 32801

CONTACT NAME: Michelle McCrimmon, Controller

CONTACT PHONE #: +1 407 246 2142

TYPE OF SYSTEM: Single Employer

(i.e. Multi - Employer Cost Sharing, Single Employer, Agent, etc...)

- 3.2. Firm shall provide resume for each team member recommended for these Audit Services. Resumes shall at a minimum include years of experience, type of pension systems attestation services were provided for, and current professional credentials. Resumes should be provided with bid submission and will be required before contract award.



Susan Wheeler, CPA

Coordinating Partner

Charleston, West Virginia

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susan.wheeler@ey.com

Relevant experience: State of West Virginia and West Virginia Investment Management Board annual audits as well as numerous employee benefit plan audits (defined benefit, defined contribution, and health and welfare plans)

Role

Susan will be responsible for the overall administration and supervision of the engagement, as well as being involved in complex accounting and reporting matters. Susan will lead your team dedicated to addressing your accounting issues should they arise. She will work with Jiajia Wu and Betty Rowe in the overall administration and supervision of the engagement, as well as be involved in complex accounting and reporting matters on the engagement. She will also work closely with our technical advisors and professionals to make certain that audit issues are addressed in a timely manner.

Background

- ▶ Susan has more than 21 years of experience providing assurance services to a variety of EY clients, including those in public sector and employee benefit plans. Susan has extensive experience involving accounting and auditing in a variety of industries, including energy, manufacturing and distribution. Susan's clients are both public and private and range in size from small entities to multinational companies with numerous subsidiaries.
- ▶ Susan has significant experience addressing government and employee benefit audit, accounting and reporting issues. She also has significant experience performing OMB Circular A-133 audits.
- ▶ Susan is the coordinating partner on numerous employee benefit plans, including defined benefit, defined contribution, and health and welfare benefit plans. Susan is also the coordinating partner on the audit of the State of West Virginia (the State), West Virginia Board of Risk and Insurance Management (BRIM), West Virginia Public Employees Insurance Agency, West Virginia Retiree Health Benefit Trust and West Virginia Investment Management Board. Susan is also the engagement quality review partner on the Texas Association of School Boards Risk Management Fund. Susan has assisted the State and BRIM in filing and being awarded the Comprehensive Annual Financial Report Certificate of Achievement of Excellence in Financial Reporting.
- ▶ Susan is a reviewer in the GFOA certificate of achievement program.
- ▶ Susan serves as a technical resource, including functioning as an assurance quality reviewer and a peer reviewer, on audits of government entities.
- ▶ Susan has completed the required, relevant continuing professional education (CPE) courses and is in compliance with the GAS and employee benefit plan CPE requirements. Specifically, she has completed courses related to newly issued pension standards GASB 67 and 68.
- ▶ Susan holds a Bachelor of Business Administration in Accounting from Marshall University, where she serves on the Lewis College of Business Division of Accountancy and Legal Environment Advisory Board. She is a member of the AICPA and the WVSCPA. Susan was the recipient of the West Virginia 2014 Women to Watch Award, Experienced Leader sponsored by the WVSCPA. Susan has served on various nonprofit boards throughout her career, and she currently serves on the Advisory Council for the Charleston Boys and Girls Club.



Louis Roberts, CPA

Engagement Quality Review Partner

Iselin, New Jersey
+1 732 516 4669
louis.roberts@ey.com

Relevant experience: State Boston Retirement Board

Role

Lou will serve as the engagement quality reviewer and public sector technical advisor. He will perform and document his quality review using our firm's Program for Engagement Quality Review. Lou's review, which is a component of our firm's quality control system, is designed to evaluate the significant judgments made and conclusions reached by the engagement team in forming the overall conclusion on the engagement.

Background

- ▶ Lou is a partner with the Northeast Region Government and Public Sector practice. He has more than 20 years of experience providing accounting, auditing and governmental consulting services to public sector entities.
- ▶ Major clients served include the State Boston Retirement Board, New Jersey Transit Corporation (including defined benefit and contribution plans), New Jersey Division of Investment, State of New York Housing Finance Agency, New York City Department of Education, Connecticut Housing Finance Authority, Connecticut Lottery Corporation, New Jersey Housing & Mortgage Finance Authority, New York Power Authority, New Jersey Turnpike Authority, Massachusetts Port Authority and the New York City Housing Authority.
- ▶ Lou is a volunteer reviewer of the GFOA Special Review Committee, and reviews CAFRs for the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- ▶ Lou has completed the required, relevant CPE courses and is in compliance with the GAS CPE requirements. Specifically, he has completed courses related to the newly issued Pension standards GASB 67 and 68.
- ▶ Lou is a CPA in New Jersey, New York and Massachusetts and is also a New Jersey licensed Registered Municipal Accountant, New Jersey licensed Public School Accountant and New Jersey Certified Municipal Finance Officer. He holds a Bachelor of Science in Accounting from Rutgers University. He is a member of the AICPA, GFOA and New Jersey and Massachusetts Societies of Certified Public Accountants.



John Good, CPA

Engagement Technical Advisor

McLean, Virginia
+1 202 327 7977
john.good@ey.com

Relevant experience: State of West Virginia CAFR and State of West Virginia Single Audit

Role

As the engagement technical advisor, John will work with Susan Wheeler to provide technical advice to CPRB and the audit team. He will leverage his extensive knowledge of governmental accounting and audits to make certain you receive a quality audit focused on the key risk areas.

Background

- ▶ John is an executive director with the Americas Professional Practice Group of EY and serves as the firm's technical resource in government accounting and audits.
- ▶ John has significant experience serving as engagement executive director for the State of West Virginia, West Virginia Public Employees Insurance Agency and West Virginia Retiree Health Benefit Trust Fund and as a technical advisor for the West Virginia Board of Risk and Insurance Management and other public sector clients of the firm. He has 22 years of experience with EY in public sector auditing and has served the states of West Virginia, Pennsylvania and Maryland in the financial statement and OMB Circular A-133 Single Audits.
- ▶ John teaches the EY Government Accounting and Auditing Update session, teaches other government accounting and auditing classes, and OMB Circular A-133 training sessions in all areas of the firm. He has also developed and presented various technical educational sessions.
- ▶ John distributes GASB, GAS and OMB Circular A-133 newsletters within the firm, which are available for client distribution.
- ▶ John represents the firm on the AICPA State and Local Government Expert Panel that liaises with the GASB. John participated on the AICPA's pensions task force that developed the two AICPA whitepapers related to cost-sharing plans and their employers upon implementation of GASB Statement No. 68, as well as the related audit interpretations. John is well versed on the issues that CPRB and its employers will face upon implementation of GASB 67 and 68.
- ▶ John also develops our firm's forms and templates and policies and procedures on performing government and OMB Circular A-133 audits. He represents the firm and participates in the AICPA Governmental Audit Quality Center and reviews AICPA Practice Aids and Audit Guides on OMB Circular A-133 audits.
- ▶ John has completed the required, relevant CPE courses and is in compliance with the GAS CPE requirements. Specifically, he has completed courses related to the newly issued pension standards GASB 67 and 68.
- ▶ John is a member of the AICPA and a CPA. He has a Bachelor of Science from Shippensburg University of Pennsylvania.



Randy Halper, EA, MAAA, FCA, MBA

Senior Manager, Human Capital

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**Relevant experience: State of West Virginia Other post-employment benefits (OPEB) plans
State of North Carolina Pension and OPEB plans
State of Nebraska Pension and OPEB plans**

Role

Randy will serve as the pension and OPEB resource for CPRB's CAFR. He will review the significant actuarial assumptions and methods and the application of GASB 67 for the plans.

Background

- ▶ Randy focuses on the design, funding and financial management of defined benefit pension and post-retirement welfare programs (OPEB) and he has over 30 years of experience within the industry. His has experience with the accounting statements GASB 25, GASB 27, GASB 45, GASB 50, GASB 67, GASB 68, the proposed GASB OPEB statement (released in June 2014), Accounting Standards Codification (ASC) 715, and ASC 960 and Statements of Position 01-2. He has consulted with numerous corporate and governmental clients to help them with pension and OPEB issues.
- ▶ He is the national reviewer in EY's Human Capital practice for GASB pension and OPEB plans.
- ▶ Randy currently serves as the pension resource for the West Virginia State CAFR audit. He also serves as the professional related to OPEB on the audit of the West Virginia Retiree Health Benefit Trust.
- ▶ He spoke at the 2011 Conference of Consulting Actuaries meeting on GASB 45 audits.
- ▶ He received the Distinguished Alumni Award in Actuarial Science from Temple University Fox School of Business in April 2013.
- ▶ He is a participant on the AICPA committee providing comments on the proposed GASB OPEB statement that was released in June 2014 (revision to GASB 45).
- ▶ Randy has completed required, relevant CPE courses and is in compliance with the GAS CPE requirements.
- ▶ He is an Enrolled Actuary under the Employee Retirement Income Security Act (ERISA), a member of the American Academy of Actuaries and a Fellow of the Conference of Consulting Actuaries. He received an MBA from Temple University Fox School of Business and a BBA in Actuarial Science and Insurance and Risk from Temple University Fox School of Business.



Jiajia Wu, CPA

Senior Manager, Audit

Charleston, West Virginia
+1 304 357 5959
jjajia.wu@ey.com

Relevant experience: State of West Virginia CAFR and various employee benefit plan audits

Role

Jiajia will coordinate our day-to-day staffing resources in the field and our overall audit procedures. She will serve as a key resource to CPRB in addressing complex accounting issues. She will also work closely with Susan Wheeler in the coordination of our procedures related to CPRB's CAFR, including our procedures related to the review of the CAFR for filing for the GFOA Certificate of Achievement.

Background

- ▶ Jiajia has more than eight years of public accounting experience with six years at EY, serving clients in a number of specialized industries, including governmental, health care, manufacturing and energy entities.
- ▶ Jiajia currently serves as a senior manager on the State's CAFR audit and has extensive auditing experience in accordance with GAS and OMB Circular A-133 audits, including the State, West Virginia Public Employees Insurance Agency and the West Virginia Retiree Health Benefit Trust Fund. She has assisted clients, including the State, in filing for the GFOA's Certificate of Achievement.
- ▶ Jiajia has experience auditing public and private employee benefit plans (defined benefit and defined contribution plans) and addressing any accounting and reporting issues related to those plans.
- ▶ Jiajia is a volunteer reviewer of the GFOA Special Review Committee, and reviews CAFRs for the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- ▶ Jiajia is an experienced instructor and provides internal instruction to members of EY's Assurance group throughout the Central Region.
- ▶ Jiajia has completed the required, relevant CPE courses and is in compliance with the GAS CPE requirements. In particular, she has completed courses related to the newly issued pension standards GASB 67 and 68.
- ▶ Jiajia is a CPA and a Certified Internal Auditor and Chartered Accountant (Canada). She holds a Master of Science in Education and a Bachelor of Science in Business Administration in Accounting from Marshall University. She is a member of the WVSCPA, the Charleston Chapter of the WVSCPA and the Alberta Institute of Chartered Accountants.



Betty Rowe, CPA

Manager

Charleston, West Virginia
+1 304 357 5985
betty.rowe@ey.com

Relevant experience: numerous employee benefit plan audits (defined benefit, defined contribution, and health and welfare plans)

Role

Betty will coordinate our efforts in the field and our overall audit procedures. She will work with Susan Wheeler in the overall administration and supervision of the engagement, as well as be involved in complex accounting and reporting matters on the engagement. She will also work closely with our technical advisors and professionals to make certain that audit issues are addressed in a timely manner.

Background

- ▶ Betty has more than 11 years of experience in public accounting (over 6 years with EY) serving various clients, including not-for-profit/government and manufacturing entities as well as employee benefit plans.
- ▶ Betty has significant experience addressing government and employee benefit audit, accounting and reporting issues. She also has significant experience in performing OMB Circular A-133 audits.
- ▶ Betty has worked on numerous employee benefit plans, including defined benefit, defined contribution, and health and welfare benefit plans for both public and private companies. Betty is the manager on the State's OMB Circular A-133 audit and has extensive experience performing audits in accordance with GAS and OMB Circular A-133. She has worked on several governmental audits including, the State of West Virginia Single Audit and West Virginia Board of Risk and Insurance Management, as well as West Virginia Educational Broadcasting Authority, West Virginia Public Defender Services and West Virginia Alcohol Beverage Control Administration. She is the manager on several governmental OMB Circular A-133 audits within the EY Puerto Rico office, including the Puerto Rico Aqueduct and Sewer Authority OMB Circular A-133 audit, Puerto Rico Highways OMB Circular A-133 audit, the University of Puerto Rico OMB Circular A-133 audit, the Sistema Universitario Ana G. Mendez OMB Circular A-133 audit, the Government of the Virgin Islands OMB Circular A-133 audit, the University of the Virgin Islands OMB Circular A-133 audit, and the Virgin Islands Public Finance Authority OMB Circular A-133 audit.
- ▶ She serves as a technical resource to other EY teams throughout the US performing GAS and OMB Circular A-133 audits.
- ▶ Betty has completed the required, relevant CPE courses and is in compliance with the GAS and employee benefit plan CPE requirements. Specifically, she has completed courses related to the newly issued pension standards GASB 67 and 68.
- ▶ Betty holds a Bachelor of Business Administration in Accounting from Marshall University. She is a CPA licensed to practice in West Virginia, Ohio and Kentucky, as well as a Certified Fraud Examiner. She is a member of the AICPA, the West Virginia, Ohio and Kentucky Societies of CPAs, including the Huntington and Charleston Chapters of the WVSCPAs. Betty is also a member of the Association of Certified Fraud Examiners, including the Charleston Chapter of the ACFE, where she currently serves as the chapter's Vice President.

- 3.3. Firm must have experience in entity technical support and report compilation submitting a 5 section CAFR for a pension system to the GFOA Certificate Program successfully, as evidenced by receipt of the "Excellence in Financial Reporting" award by the entity. (Firm should provide a copy of the most recent award issued by the GFOA in which they technically advised and compiled) with their bid submission. Documentation will be required before award.

The assurance professionals on your proposed engagement team, including CPRB's proposed coordinating and engagement quality review partners Susan Wheeler and Louis Roberts, have extensive experience providing technical support to clients applying for the GFOA Certificate Program, Excellence in Financial Reporting. Specifically, Susan has assisted clients, including the State of West Virginia and the West Virginia Board of Insurance Management, with their successful submission. In addition, both Susan and Louis volunteer reviewers of the Special Review Committee for the GFOA Certificate of Achievement for Excellence in Financial Reporting. EY is dedicated to this program and encourages our professional staff to volunteer for this program. As a result, many of our professional staff in Charleston are volunteers. Your RFQ specifically requested a copy of an Excellence in Financial Reporting award issued by the GFOA for a pension system. Please refer to Appendix A for a copy of the Certificate of Achievement for Excellence in Financial Reporting award by Policemen's Annuity and Benefit Fund of Chicago, Illinois.

- 3.4. Firm must have a complete understanding of the newly implemented GASB requirements 67 and 68 to be effective June 30, 2014 and June 30, 2015, respectively. (Evidence of knowledge may be confirmed by CPE certificates referencing these titles and requested by the WV CPRB. (Firm should provide the most recent CPE certificates for team members on this subject matter), with their bid submission. Documentation will be required before award.

We understand that CPRB is interested in our commitment to helping implement new GASB requirements, including GASB 67 and 68. EY is committed to providing you the technical accounting and auditing support that you deserve. We have included John Good, an engagement technical advisor in the Americas Professional Practice Group, on the engagement team. John is a nationally recognized technical leader that you already know through discussions about the implementation of GASB 67 and 68. He is going to be speaking on GASB 68 implementation at the national P2F2 conference in Nashville, Tennessee. EY was involved in developing the AICPA whitepapers and the related auditing interpretations. We were at the table during their development. We will bring that perspective to CPRB and the State. He is actively involved with Susan and the engagement team on the State of West Virginia engagement and is a valuable resource. Since we are the auditors of the State of West Virginia, you can be certain of a seamless approach related to our audit approach on the implementation of GASB 67 and 68. This will enable you to avoid delays so you can meet the State's reporting deadlines. This thought leadership distinguishes us from our competition.

GASB 67, Financial Reporting for Pension Plans

The objective of this statement is to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the defined benefit and defined contribution pension plans administrated through trusts. This statement requires additional note disclosures such as the annual money-weighted rate of return on pension plan investments, the pension plan's fiduciary net position, the net pension liability, the pension plan's fiduciary net position as a percentage of the total pension liability, and significant assumptions and other inputs used to calculate the total pension liability. This statement requires single-employer and cost-sharing pension plans to present in required supplementary information sources of changes in the net pension liability, and information about the components of the net pension liability and related ratios for each of the 10 most recent fiscal years about employer and non-employer contributing entity obligations for pensions provided through the pension plan. This statement is effective for fiscal year 2014.

The statement will have a significant impact on note disclosures and required supplementary information of CPRB's separately audited CAFR and the State of West Virginia's CAFR. We had several discussions with Financial Accounting and Reporting Section (FARS) on how to coordinate the implementation effort and plan to have a joint meeting with FARS and CPRB. We will provide the most recent generally accepted accounting principles (GAAP) checklists to CPRB and FARS to make certain proper disclosures will be presented.

GASB 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27

The principal objective of this statement is to improve the usefulness of information for decisions made by the various users of the general purpose, external financial reports of governments whose employees—both active employees and inactive employees—are provided with pensions. One aspect of that objective is to provide information about the effects of pension-related transactions and other events in the elements of the basic financial statements of state and local governmental employers. This information will assist users in assessing the relationship between a government's inflow of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's pension obligations and the assets available to satisfy those obligations. The statement is effective for fiscal year 2015.

Prior to implementing GASB 68, employers, including the State of West Virginia, participating in the Public Employees' Retirement System (PERS), a multiple-employer, cost-sharing plan, must recognize annual pension expense equal to their contractually required contribution to the plan. Pension liabilities result from the difference between contributions required and contributions made. Once GASB 68 is implemented, employers will be required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). For the first time, employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. Pension amounts to be recognized by employers include the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. To the extent that a long-term obligation to provide pension benefits (that is, total pension liability) is larger than the value of the assets available in the plan to pay pension benefits, there is a collective net pension liability for which each employer will need to report its proportionate share in its financial statements.

A major challenge faced by each employer participating in a cost-sharing plan is how the employer will obtain all necessary information to support its proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. We have already started discussions with the State and CPRB regarding implementation. We know that the following are important topics:

- ▶ Timing and frequency of measurement of net pension liability
- ▶ Determination of deferred outflows of resources and deferred inflows of resources
- ▶ Method of allocation
- ▶ Notes disclosures and required supplementary information
- ▶ Auditing of information to support the employers' proportionate share of collective pension amounts
- ▶ Auditing of the employers' shares of the collective pension amounts
- ▶ Coordinating testing of census data at the employers
- ▶ Coordinating determining whether certain plans within the CPRB qualify as special funding situations under GASB 68

You can expect to continue to receive leading practices from EY, including hearing first-hand from our technical resources, like John Good.

Continuing Professional Education

EY is proud to be recognized for our long-term commitment to helping our people grow and succeed at every stage of their careers, and we fully understand that leading organizations cannot stay on the leading edge without continuous updates to their people and processes. That is why our partners and staff spend a significant number of hours each year taking formal CPE courses through formal classroom-style channels, web-based learning and self-study. EY mandates that all CPAs have at least 120 hours of formal continuing education programs over a three-year period. Most of our professionals exceed that requirement. Every member of your proposed team has met or exceeded all appropriate CPE requirements, including the two-year GAS specialty requirement and the current-year and three-year AICPA requirement.

Each year, not only do we offer several governmental accounting and auditing updates, teleconferences and education courses, but we provide a two-day national technical conference for partners and executive directors, senior managers, managers and seniors auditing public sector and governmental entities, not-for-profit and health care clients. The conference is comprised of GASB updates, OMB Circular A-133, and industry-specific topics. These courses or conferences cover recent and upcoming GASB pronouncements and related implementation issues. Due to their significance, GASB 67, *Financial Reporting for Pension Plans*, and GASB 68, *Accounting and Financial Reporting for Pensions*, were fully discussed during those sessions.

See Appendix B for CPE certificates for documentation of the relevant courses for each proposed key team member.

- 3.5. Firm and all associated contracted firms must have in place an internal quality control system to provide reasonable assurance that an adequate quality standard will be maintained during the engagement. The auditors should provide a copy of their most recent peer review results with their bid submission. This information will be required before award.

We understand that the highest level of audit quality is of the utmost importance to CPRB. It is also crucial that we continue to provide the most efficient and effective delivery of our audit services. We will continue to seek ways to improve the effectiveness and the efficiency of our Global Audit Methodology (GAM) and processes, while maintaining audit quality.

Our approach to ethics and integrity is embedded in our training programs and internal communications. Senior management regularly reinforces these expectations and the importance of performing quality work and complying with professional standards and policies. Our people are evaluated and rewarded for delivering quality service.

Our reputation for providing quality professional services in an independent, objective and ethical manner is key to our success as independent auditors. Our strong commitment to quality services has led the firm to adopt a broad set of quality control policies and other safeguards that are applicable to every audit engagement. Like any other system of internal controls, no single control or safeguard provides us with the assurance that our professionals comply in all instances with applicable professional standards and the firm's standards of quality. Working in tandem, however, these controls and safeguards provide a broad system that serves to prevent or detect in a timely manner matters that without corrective action could result in substandard performance. As a result, we believe that the firm's system of quality control for our Accounting and Auditing practice meets the requirements of quality control standards. The following is a summary description of EY's quality control policies and other safeguards for our Accounting and Auditing practice.

- ▶ **Tone at the Top.** EY's senior management regularly communicates and reinforces the firm's expectations and the importance of performing quality work and complying with the firm's policies. The EY culture strongly supports collaboration and consultation and places special emphasis on the

importance of consultation in dealing with complex or subjective accounting, auditing, reporting and Security and Exchange Commission (SEC) and independence matters.

- ▶ **Client engagement team.** Your EY team members, including your coordinating partner and engagement director, will communicate regularly with each other, in particular, prior to commencing any procedures on-site. We will hold periodic meetings to determine that our audit approach continues to remain appropriate and that our procedures are being performed as efficiently as possible. In accordance with firm guidelines, we will hold an internal team planning event during the planning phase of our audit to discuss significant matters impacting CPRB, and to design and develop our overall audit approach accordingly. In connection with the completion of our preliminary procedures related to our audit of internal control over financial reporting and our interim fieldwork procedures, in accordance with firm guidelines, we will hold a post-interim event to discuss the significant findings from these procedures and the impact on our overall audit approach. We will also challenge our overall audit strategy and make any changes, as needed. Our audit process includes a multi-tier preparer/reviewer approach. These internal meetings are led by your engagement executives, including the partners and executive director. Your engagement team will seek timely input from the EQR partner and PPD as described below.
- ▶ **Engagement quality reviewer (EQR).** The EQR partner will be responsible for the independent technical review of the audit work to confirm our team complies with CPRB's expectations and EY's quality and professional standards. The EQR partner participates throughout the audit process and assists the team in addressing technical matters. He will provide objective insight on our audit approach and all significant accounting matters.
- ▶ **Professional Practice Directors (PPD) and subject matter partners.** We long ago recognized that as a global organization, we needed to balance the overall accounting and auditing matter consistency with an ability to interact with our clients on a local level. To address this objective, we developed our distributed PPD network. The PPD is a senior position filled by partners who have technical experience in a broad range of areas. The PPD network facilitates more rapid access to our National Office by placing more of our consultation resources locally; enhances the National Office knowledge of, and familiarity with, our clients and engagement teams; and leverages our knowledge of the local marketplace.

Our PPD network is further supported by subject matter partners. They all interact on a regular basis with our clients. These subject matter professionals, in addition to being available to assist our clients and engagement teams in resolving complex technical matters, also write our firm's technical publications and monitor regulatory and standard-setter activity.

- ▶ **Assurance Quality Review (AQR).** Each year, we perform an AQR on a sample of engagements to evaluate compliance with and the effectiveness of the firm's quality control policies and procedures and to identify areas where our performance can be improved. The primary objective of the program is to assist in maintaining and continually enhancing the quality of our assurance engagements. This objective is accomplished by determining whether we are conducting our audit and other assurance engagements in accordance with relevant professional standards, and if we have established and documented adequate quality control policies and procedures and are complying with them. The AQR program provides both reviewers and those being reviewed with an opportunity to enhance their understanding of GAM and other EY policies and processes, and to provide engagement teams with constructive observations.
- ▶ **Assessment of Service Quality (ASQ).** Our ASQ process is a leading practice for facilitating our delivery of exceptional client service—to every client we serve. Through the ASQ process, our clients communicate their service and relationship expectations before we begin an engagement. Following service delivery, or at key intervals throughout an ongoing service relationship, we meet with the appropriate client team members to discuss whether we complied with their expectations, and to develop a road map for the future. Finally, we summarize and discuss with the client the impact of our services on their organization and any beneficial or strategic next steps in our service relationship.

This process facilitates our efforts to comply with client expectations; enhance service quality continuously; approach the future strategically; and build and sustain strong, mutually beneficial business relationships.

- ▶ **Global Code of Conduct.** Our Global Code of Conduct provides a clear set of standards and behaviors that guide our actions and our business conduct. We promote a culture of integrity, as well as the performance of high-quality audits, among all professionals. We also utilize EY/Ethics, a global ethics hotline, for our people, clients and others outside of the organization with a means to confidentially report activity that may involve unethical or improper behavior that is in violation of professional standards or otherwise inconsistent with the Global Code of Conduct.

KPMG completed the peer review of EY's non-SEC audit practice for the year ended June 30, 2013, and issued a report dated December 6, 2013, with a peer review rating of pass with **no deficiencies** identified. The peer review results confirm that our firm's system of quality control for our Accounting and Auditing practice applicable to non-SEC issuers meets the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and is being complied with, providing the firm with reasonable assurance of compliance with applicable professional standards. KPMG's report is included in Appendix C.

We believe we have in place an appropriate, quality internal control system to make certain adequate quality standards will be maintained during the engagement.

4. Mandatory Requirements

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

4.1.1 The Auditor shall issue an opinion on the fair representation in conformity with GAAP (Generally Accepted Accounting Principles) of its general purpose financial statements that will include all CPRB plans and funds. The audit must be conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. CPRB desires the auditor to express an opinion on the fair presentation of its financial statements and schedules in conformity with GAAP.

Vendor Response:

We understand that our responsibility is to express an opinion on the pension funds of CPRB based on our audits. We will conduct our audits in accordance with GAS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4.1.2 The Auditor shall also be responsible for performing certain procedures involving RSI (Required Supplementary Information) as required by the GASB (Governmental Accounting Standards Board) and mandated by GAAS (Generally Accepted Auditing Standards)

Vendor response:

We will apply limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the USA, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

4.1.3 The auditor shall work closely with the CPRB providing technical assistance during compilation of the annual CAFR (Comprehensive Annual Financial Report) in accordance with GFOA certificate program standards for the submission for the Excellence in Financial Reporting Award. Additionally, the firm will compile, produce and provide printed copies and electronic copies of said CAFR.

Vendor response:

We have successfully assisted our clients, such as the State of West Virginia, the West Virginia Board of Insurance Management and various pension plans of the city of Orlando, in obtaining the GFOA certificate. We are committed to provide the same level of assistance to CPRB. In addition, we will also provide both printed and electronic copies of the CAFR.

See Section 3.3 for additional discussion.

- 4.1.4 The auditor will perform additional required procedures necessary to issue an opinion on the actuarial allocation of the pension plans unfunded liability among the plans participating employers in accordance with standards issued by the Governmental Accounting Standards Board Statement 68. All costs associated with these audited procedures shall be included in the Pricing Page, Exhibit "A" at the end of this RFQ.

Vendor response:

The AICPA State and Local Government Expert Panel recommends cost-sharing plans prepare a schedule of employer allocations and related notes to the schedule. This schedule would display the proportionate relationship of each employer to all employers and each employer's allocation percentage. See Appendix H for a sample schedule of employer allocations based on actual employer contributions. We will perform procedures so that we can opine on the schedule in accordance with AU-C Section 805, *Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*. The fee presented in Exhibit A includes our assurance service provided for the schedule of employer allocations and the related notes to the schedule.

- 4.1.5 The successful vendor will cooperate with the financial accounting and reporting section (FARS) and perform procedures related to the state's net pension obligation. The additional work will be billed separately as it is part of the required reporting for the state's audit and is not a part of the CPRB audit. However, the cost of this work must be included in the all-inclusive fee for this work.

Vendor response:

Since we are the State's auditors, we are best positioned to maximize efficiencies in this area. We will cooperate with both management and FARS to address reasonable requests similar to the prior year relating to questions about the audited financial statements of CPRB and its closing book forms.

- 4.1.6 The auditor shall also provide to the agency, for the submission to the US Department of Health and Human Services by October 30th of the following fiscal year, an annual report prepared by them as the Independent Auditor, documenting the total annual contribution to PERS required under this agreement in the format therein described, as well as all annual employer contributions otherwise required to be made to PERS under state law.

Vendor response:

Consistent with prior year reports, we will compile the Annual Report of Total Annual Contribution to the West Virginia Public Employees Retirement System (the Annual Report) in accordance with the requirements of the U.S. Department of Health and Human Services. The Annual Report is not intended to be a presentation in accordance with US GAAP. We will not audit or review the Annual Report and, accordingly, will not express an opinion or provide any assurance about whether the Annual Report is in accordance with the form prescribed by the U.S. Department of Health and Human Services.

- 4.1.7 The auditor will be available to provide additional accounting and auditing consulting services at the hourly rates represented in the all-inclusive cost quotation.

Vendor response:

See Exhibit A for hourly rates.

- 4.1.8 The auditor will acknowledge that it has been made aware that the WV CPRB is currently implementing a LOB (line of business) new computer system solution agency-wide and this implementation could impact the level of audit procedures that need to be performed and any cost associated with these potential additional procedures as a result of this implementation is included in the all-inclusive cost of the audit. This implementation is anticipated to be in progress over the next four years.

Vendor response:

We understand CPRB is in the process of switching to Deloitte Pension Administration Solution (DPAS). Our fee presented in Exhibit A has taken into consideration such system conversion, assuming CPRB provides appropriate client assistance and no exceptions are identified.

- 4.1.9 The successful vendor shall be required to give to the director of FARS (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-2-23 of the State Code an immediate written report of all irregularities and illegal acts the firm becomes aware of. Additionally, a copy of all said reports shall be given to the Executive Director of CPRB, the CFO of CPRB and to the accounting manager of CPRB. The firm must inform the Executive Director, the CFO and Accounting Manager in writing of each of the following:

1. The auditor's responsibility under GAAP
2. Significant accounting policies
3. Management judgments, accounting estimates and projections.
4. Significant audit adjustments of past and current estimates and projections.
5. Other information and documents containing audited financial statements and or estimates and projections.
6. Disagreements with management.
7. Consultation with other accountants and actuaries.
8. Major issues discussed with management prior to retention.
9. Difficulties in performing the audit.

Vendor response:

We will conduct the audit in accordance with auditing standards generally accepted in the United States and GAS. Those standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraud. As management is aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material error, fraud or illegal acts. Accordingly, because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States, as established by the AICPA. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements. However, we will report to management and the director of FARS as soon as we are aware of any irregularities or illegal acts.

At the end of our audit, we will prepare and present audit results to the executive director, CFO and accounting manager of CPRB. Our audit results package will include the required items identified above.

4.1.10 All working papers and reports must be retained at the auditor's expense for a minimum of 5 years unless the firm is notified in writing by CPRB of the need to extend the retention period. The firm will be required to make working papers available upon request to the following parties or their designees:

1. Executive Director of CPRB.
2. Chief Financial Officer of CPRB
3. Accounting Manager of CPRB
4. Director of Financial Accounting and Reporting Section of the Department of Administration of the State of West Virginia

Vendor response:

We will retain all working papers and reports for a minimum of five years after the issuance, unless we are notified by CPRB of the need to extend the retention period. Access to our work papers and reports will be allowed in accordance with professional standards and our firm's policies with regard to such matters.

4.1.11 In addition, the firm must respond to the reasonable inquiries of successor auditors and allow them to review working papers related to matters of continuing significance.

Vendor response:

We will respond to reasonable inquiries and allow access to our work papers to successor auditors in accordance with professional standards and our firm's policies.

4.1.12 The firm must provide final report preparation, editing and printing. The firm must deliver 50 copies of the final bound audit report for CPRB to 4101 MacCorkle Avenue SE, Charleston WV 25304 no later than October 15th or the following business day. The firm must also provide a PDF format file of the completed audit report file for use on its website.

Vendor response:

We will provide formatting and editing of the final draft electronic report. We will also provide 50 copies of the final audit reports, along with an electronic copy.

4.1.13 The successful vendor must agree to the following deadlines:

- Client Assistance Package - Prior to field work**
- Field work to begin - August 18th (or following business day)**
- Draft of Financial Reports - September 5th (or following business day)**
- Revised Draft with all requests changed and modification of CPRB reports for review - September 12th (or following business day)**
- Draft submitted to FARS with copies to CPRB - September 15th (or following business day)**
- Unsigned final draft with all modifications to CPRB management for final review - October 10th (or following business day)**
- Final signed report submitted to CPRB and FARS - October 15th (or following business day)**
- Final presentation to CPRB Board - December Board meeting**

Vendor response:

As auditors of the State of West Virginia and other state agencies, we understand your timeline and the importance of complying with that timeline. Working back from each performance date outlined above, we will work with management to develop the specifics of the project milestones, including establishing communication protocols. This will allow us to keep the project on time and keep you abreast of any issues. The following is a broad outline of the audit process:

Task and anticipated timing	Aug	Sep	Oct	Dec
Provide client assistance package				
Calculate planning materiality for each plan				
Identify significant accounts/disclosures				
Understand controls and design tests of controls				
Perform risk assessment				
Prepare overall audit strategies memorandum				
Perform field work - begin on August 18th				
Execute tests of controls				
Perform substantive tests of account balances and analytical review procedures				
Perform general audit procedures				
Receive draft financial statements from CPRB - September 5, 2014				
Received revised draft financial statements from CPRB - September 12, 2014				
Prepare summary review memorandum				
Perform overall review and approval				
Review final draft financial statements and provide comments to CPRB management - October 10, 2014				
Deliver final financial report to FARS - October 15, 2014				
Prepare audit results package				
Present audit results to CPRB Board				

Exhibit A - Auditing services pricing sheet

The fee is \$92,000 for FY2014, 2015 and 2016. The hourly rate is listed below.

Total all inclusive cost for auditing services for year 2014: \$ 105,000

Total all inclusive cost for auditing services for year 2015: \$ 105,000

Total all inclusive cost for auditing services for year 2016: \$ 105,000

GRAND total for all three years auditing: \$ 315,000*

* The fees outlined above contemplate our ability to rely on controls including the census date process as management outlined in the Q&A responses to the RFQ.

Should it become necessary for the agency to request the vendor to render any additional services to supplement the services requested in this RFQ or to perform additional work unforeseen at the issuance of this contract, but necessary to fulfill results required within this RFQ a change Order to the Contract will be issued between the vendor and the agency. Any such additional work agreed to between the Agency and the vendor will be performed at the hourly rates according to the schedule below.

	Classification	Unit of Measure	FY2014 Unit Price	FY2015 Unit Price	FY2016 Unit Price
1.	Partner	Per Hour	\$ 385	\$ 385	\$ 390
2.	Manager	Per Hour	285	285	290
3.	Supervisor	Per Hour	210	215	220
4.	Seniors	Per Hour	175	180	185
5.	Staff	Per Hour	130	135	140
6.	Clerical	Per Hour	60	65	70

Appendix A - Pension GFOA certificate

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Policemen's Annuity and Benefit Fund of Chicago

Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

Louis Roberts



John Good



Randy Halper



Advancing the Practice



3880 Salem Lake Drive, Suite H
 Long Grove, IL 60047-5292
 Phone: 847-719-6500
 E-mail: conference@ccactuaries.org

Certificate of Attendance

Randy E. Halper Ernst & Young LLP 2323 Victory Ave. Suite 2000 Dallas, TX 75219	Event: GASB 67/68 Update Qualifying Sponsor: CCA Date: April 9, 2014 Location: Online Facility: Audiocast	
---	---	--

Session	Subject	EA Core Credit	EA Core/Ethics Credit	EA Noncore Credit	EA Formal Credit	CPD Credit
Audiocast	<u>GASB 67/68 Update</u>	0.00	0.00	1.50	0.00	1.50
		0.00	0.00	1.50	0.00	1.50

EA credits are subject to final approval by the Joint Board for the Enrollment of Actuaries.
 CPD credits may qualify under the Qualification Standards. However, each actuary has the responsibility to make a reasonable, good-faith determination of what should qualify on an individual basis.

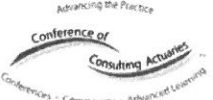
This certificate acknowledges that you registered for the above-mentioned seminar.
 Acceptance of the certificate acknowledges that you are aware of
 and agree to uphold the "Code of Professional Conduct."

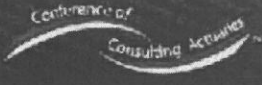
Credit earned for this event is automatically entered for all registered attendees
 into the online tracking tool on the CCA website.

Contact the Conference office regarding all credit inquires for this meeting.

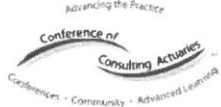
Conference of Consulting Actuaries - Advancing The Practice
 The Conference of Consulting Actuaries (CCA) supports consulting actuaries in all practice areas, in many countries. Members of the CCA receive support and assistance with professionalism, continuing education, client work, representing members' interests, and research support. [\[More\]](#)

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 Phone: 847-719-6500 | E-mail: conference@ccactuaries.org





advancing the Practice



Conferences • Community • Advanced Learning

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 Long Grove, IL 60047-5292
 Phone: 847-719-6500
 E-mail: conference@ccactuaries.org

Certificate of Attendance

Randy E. Halper Ernst & Young LLP 2323 Victory Ave. Suite 2000 Dallas, TX 75219	Event: Qualifying Sponsor: Date: Location: Facility:	GASB 67/68 Update CCA April 9, 2014 Online Audiocast
---	--	--

Session	Subject	EA Core Credit	EA Core/Ethics Credit	EA Noncore Credit	EA Formal Credit	CPD Credit
Audiocast	<u>GASB 67/68 Update</u>	0.00	0.00	1.50	0.00	1.50
		0.00	0.00	1.50	0.00	1.50

EA credits are subject to final approval by the Joint Board for the Enrollment of Actuaries. CPD credits may qualify under the Qualification Standards. However, each actuary has the responsibility to make a reasonable, good-faith determination of what should qualify on an individual basis.


This certificate acknowledges that you registered for the above-mentioned seminar. Acceptance of the certificate acknowledges that you are aware of and agree to uphold the "Code of Professional Conduct."

Credit earned for this event is automatically entered for all registered attendees into the online tracking tool on the CCA website.

Contact the Conference office regarding all credit inquires for this meeting.

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 Conference of Consulting Actuaries | 3880 Salem Lake Drive, Suite H | Long Grove, Illinois 60047-5292
 Phone: 847-719-6500 | E-mail: conference@ccactuaries.org





3880 Salem Lake Drive, Suite H
 Long Grove, IL 60047-5292
 Phone: 847-719-6500
 E-mail: conference@ccaactuaries.org

Certificate of Instruction

Randy E. Halper
 Ernst & Young LLP
 2323 Victory Ave.
 Suite 2000
 Dallas, TX 75219

Event:
 Qualifying Sponsor:
 Date:
 Location:
 Facility:

2011 CCA Annual Meeting
 CCA
 October 23-26, 2011
 Las Vegas, NV
 JW Marriott Las Vegas Resort

Session	Subject	EA Core Credit	EA Core/Ethics Credit	EA Noncore Credit	EA Formal Credit	CPD Credit
16	<u>Public Sector OPEB Issues</u>	0.00	0.00	6.00	1.50	1.50
		0.00	0.00	6.00	1.50	1.50

EA credits are subject to final approval by the Joint Board for the Enrollment of Actuaries. CPD credits may qualify under the Qualification Standards. However, each actuary has the responsibility to make a reasonable, good-faith determination of what should qualify on an individual basis.

This certificate acknowledges that you registered for the above-mentioned seminar. Acceptance of the certificate acknowledges that you are aware of and agree to uphold the "Code of Professional Conduct."

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 Conference of Consulting Actuaries | 3880 Salem Lake Drive, Suite H | Long Grove, Illinois 60047-5292
 Phone: 847-719-6500 | E-mail: conference@ccaactuaries.org



Certificate of Achievement

EYG recognizes

Randy E Halper

for the successful completion of

Accounting for Pension and Other Postretirement Benefits: Year-End Reminders 001

5-Nov-2013

Signature: _____
11-Jul-2014

Grade: Pass
Score: _____

 **ERNST & YOUNG**
Quality In Everything We Do

Jiajia Wu



Betty Rowe



Appendix C - Peer review report



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

System Review Report

To the Partners of Ernst & Young LLP
and the National Peer Review Committee of the AICPA Peer Review Board:

We have reviewed the system of quality control for the accounting and auditing practice of Ernst & Young LLP (the firm) applicable to non-SEC issuers, in effect for the year ended June 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) I and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Ernst & Young LLP, applicable to non-SEC issuers, in effect for the year ended June 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Ernst & Young LLP has received a peer review rating of *pass*.

KPMG LLP

December 6, 2013

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



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

December 16, 2013

Stephen R Howe Jr, CPA
Ernst & Young LLP
5 Times Sq
New York, NY 10036

Dear Mr. Howe:

It is my pleasure to notify you that on December 12, 2013 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is December 31, 2016. This is the date by which all review documents should be completed and submitted to the administering entity.

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

Sincerely,



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

cc: Robert Michael Rohweder:Robert S Overstreet

Firm Number: 10019648

Review Number 350001

Letter ID: 848817

T: 1.919.402.4502 | F: 1.919.402.4876 | nprc@aicpa.org

Appendix D - Addendum acknowledgement



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

Solicitation

NUMBER
CPR14026

PAGE
1

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

VENDOR

*709023605 03 304-343-8971
 ERNST & YOUNG LLP
 900 UNITED CENTER
 500 VIRGINIA ST EAST
 CHARLESTON WV 25301

SHIP TO

CONSOLIDATED PUBLIC RETIREMENT BOARD
 4101 MACCORKLE AVE SE
 CHARLESTON, WV 25304 558-3570

DATE PRINTED
06/19/2014

BID OPENING DATE: 07/17/2014 BID OPENING TIME 1:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
REQUEST FOR QUOTATION (RFQ)						
THE WEST VIRGINIA PURCHASING DIVISION FOR THE AGENCY, THE WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD (CPRB) IS SOLICITING BIDS FROM QUALIFIED VENDORS TO ESTABLISH A CONTRACT FOR THE ANNUAL FINANCIAL STATEMENT AUDIT, COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) COMPLIANCE, US DEPARTMENT OF HEALTH AND HUMAN RESOURCES (DHHS) CORRESPONDENCE PER THE ATTACHED SPECIFICATIONS, AND TERMS AND CONDITIONS.						
0001	1	LS		946-20		
				ANNUAL FINANCIAL STATEMENT AUDIT (1ST YEAR)		
0002	1	LS		946-20		
				ANNUAL FINANCIAL STATEMENT AUDIT (2ND YEAR)		
0003	1	LS		946-20		
				ANNUAL FINANCIAL STATEMENT AUDIT (3RD YEAR)		

SIGNATURE <i>Susan Wheeler</i>	TELEPHONE +1 304 343 8971	DATE July 25, 2014
TITLE Coordinating and Office Managing Partner	FEIN 34-656-5596-001	ADDRESS CHANGES TO BE NOTED ABOVE

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

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.: CPR14026

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

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

Addendum Numbers Received:

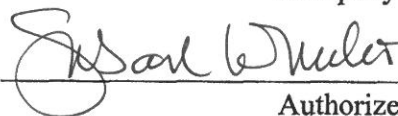
(Check the box next to each addendum received)

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

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

Ernst & Young LLP

Company



Authorized Signature

July 25, 2014

Date

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

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.: CPR14026

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

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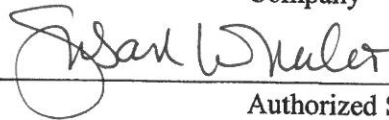
(Check the box next to each addendum received)

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

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

Ernst & Young LLP

Company



Authorized Signature

July 25, 2014

Date

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

Appendix E - Purchasing affidavit

RFQ No. CPR14026

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

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

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

DEFINITIONS:

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

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

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

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

WITNESS THE FOLLOWING SIGNATURE:

Vendor's Name: Ernst & Young LLP

Authorized Signature: *[Signature]* Date: July 25, 2014

State of West Virginia

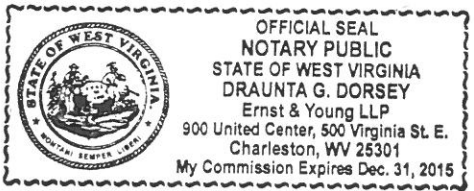
County of Kanawha, to-wit:

Taken, subscribed, and sworn to before me this 25 day of July, 2014.

My Commission expires December 31, 2015.

AFFIX SEAL HERE

NOTARY PUBLIC *[Signature]*
Purchasing Affidavit (Revised 07/01/2012)



Appendix F - Resident vendor preference

State of West Virginia
VENDOR PREFERENCE CERTIFICATE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bidder: Ernst & Young LLP

Signed: [Signature]

Date: July 25, 2014

Title: Coordinating and Office Managing Partner

Appendix G - Certification and signature page

CERTIFICATION AND SIGNATURE PAGE

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

Ernst & Young LLP

(Company)

Susan P. Wheeler

(Authorized Signature)

Susan P. Wheeler, Coordinating and Office Managing Partner

(Representative Name, Title)

+1 304 343 8971

+1 304 357 5994

(Phone Number)

(Fax Number)

July 25, 2014

(Date)

Appendix H - Sample schedule of employer allocations based on actual employer contributions

EXAMPLE COST SHARING PENSION PLAN
 Schedule of Employer Allocations
 6/30/20X5

Employer	20X5 Actual Employer Contributions	Employer Allocation Percentage
Employer 1	\$ 2,143,842	36.376 %
Employer 2	268,425	4.554
Employer 3	322,142	5.466
Employer 4	483,255	8.199
Employer 5	633,125	10.742
Employer 6	144,288	2.448
Employer 7	95,365	1.618
Employer 8	94,238	1.599
Employer 9	795,365	13.495
Employer 10	267,468	4.538
Employer 11	403,527	6.847
Employer 12	165,886	2.815
Employer 13	68,454	1.161
Employer 14	6,240	0.106
Employer 15	2,144	0.036
Total	\$ 5,893,764	100.000 %

Attachment 1 - AICPA SLGEP Cost-Sharing Census Data Whitepaper



SLGEP Pension Whitepaper Series

aicpa.org/gaqc * gaqc@aicpa.org

February 2014

Single-Employer and Cost-Sharing Multiple-Employer Plans: Issues Associated with Testing Census Data in an Audit of Financial Statements

This whitepaper is an *other auditing publication* as defined in AU-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards* (AICPA, *Professional Standards*). Other auditing publications have no authoritative status; however, they may help you, as an auditor, understand and apply certain auditing standards. Users of this whitepaper should consult the original material referenced in this practice aid for a complete understanding of the standards, requirements, and guidance.

In applying the auditing guidance included in an other auditing publication, the auditor should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the audit. The auditing guidance in this document has been reviewed by the American Institute of Certified Public Accountants (AICPA) Audit and Attest Standards staff and published by the AICPA and is presumed to be appropriate. This document has not been approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA and does not represent an official position of the AICPA. It is distributed with the understanding that the AICPA Governmental Audit Quality Center is not rendering legal, accounting or other professional services in this publication. The application and impact of laws can vary widely based on the specific facts involved. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

Introduction and Purpose

The [AICPA State and Local Government Expert Panel \(SLGEP\)](#) has been engaged in numerous discussions regarding the auditing issues facing both governmental employers (employers) that participate in single-employer and cost-sharing multiple-employer defined benefit pension plans (single-employer and cost-sharing plans), as well as plans themselves.

The purpose of this whitepaper is to address the role of census data in single-employer and cost-sharing plan financial statements and the plan auditor's responsibility for such census data. Single-employer and cost-sharing plans are covered together in this whitepaper because they have similar reporting and disclosure requirements. This whitepaper addresses the responsibility of the cost-sharing plan to obtain all necessary information and the plan auditors to obtain sufficient appropriate evidence regarding the completeness and accuracy of all census data underlying certain financial statement elements of the plan.

A separate whitepaper titled, *Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting*, has been prepared by the AICPA SLGEP and addresses issues related to how employers participating in cost-sharing plans obtain all necessary information to properly recognize and disclose pension amounts in their financial statements and how their auditors obtain sufficient appropriate evidence to support their opinions on the employer financial statements.

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AICPA SLGEP Guidance

Currently, there is no specific guidance as to single-employer or cost-sharing plan auditors' responsibility over census data in the AICPA Audit and Accounting Guide, *State and Local Governments* (SLG Guide). In light of the new GASB pension standards, the AICPA SLGEP has developed the following guidance that will be incorporated into a future edition of the SLG Guide.

Census Data: Single-Employer and Cost-Sharing Plans

Certain financial statement assertions of single-employer plans (that is, total pension liability) and cost-sharing plans (that is, total pension liability, contribution revenues, and contribution receivables) are dependent on the completeness and accuracy of census data. The auditor's consideration of the relevant financial statement assertions dependent on census data begins with understanding the processes and controls used by management of the plan to support the completeness and accuracy of the census data that is ultimately provided to the actuary. This would include the processes and controls over significant elements of census data received from participating employers on active employees as well as the census data controlled by the plan which typically include inactives and retirees. Significant elements of census data may include: date of birth; date of hire or years of service; marital status; eligible compensation; class of employee; gender; date of termination or retirement; spouse date of birth; and employment status (active, inactive, retired). The following discussion is provided to assist auditors as they consider management processes and controls surrounding census data.

Plan Management's Responsibility for Completeness and Accuracy of Census Data

Management of single-employer and cost-sharing plans is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, including completeness and accuracy of census data. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Effective management processes over census data separately identify the applicable risk of error related to the significant elements of census data for the various individual plan participants because the risks may differ depending on whether a participant is active, inactive, or retired. Accordingly, management of the plan would likely have different controls to address the applicable risks for active, inactive, and retired employees. For example, eligible compensation is more likely to be a significant element of census data for active employees because of the risk of error for reporting compensation directly impacts the calculation of the total pension liability. Conversely, eligible compensation would not be a significant element of census data for inactive employees or retirees as they are no longer earning wages. Therefore, management would likely have more robust processes and controls related to active employees for this element.

Effective plan management processes for the census data of active employees of a plan include procedures to verify the underlying payroll records of the participating employers to determine that the information provided is accurate and complete. The frequency and extent of such verification may be determined by the plan based on the assessed level of risk of error for each of the participating employers.

Internal Control Considerations by Single-Employer and Cost-Sharing Plan Auditor When Effective Management Process Lacking

The absence of effective management processes and controls by the plan to sufficiently address the appropriate risks and verify the underlying payroll records of participating employer census data in a single-employer or cost-sharing plan is a deficiency in internal control over financial reporting. The plan auditor should follow the guidance contained in AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, when evaluating the implications of control deficiencies and whether they should be communicated to those charged with governance.

Cost-Sharing Plan Auditor's Responsibility for Testing Completeness and Accuracy of Census Data

To provide a basis for designing and performing audit procedures over the total pension liability, contribution revenue, and contributions receivable including census data, the auditor should identify and assess the risks of material misstatement of these elements. For this purpose, the auditor should:

1. Obtain an understanding of the processes and controls used by the plan's management to support the completeness and accuracy of census data provided to the actuary.
2. Consider the likelihood of misstatement and whether the potential misstatement is of such a magnitude that it could result in a material misstatement of the total pension liability, contribution revenue, or contributions receivable.

The nature, timing, and extent of substantive procedures to be performed by the auditor over the census data and the underlying payroll records of employers will depend on the assessed risk of material misstatement of the relevant elements and whether management has effective processes to determine the completeness and accuracy of census data provided to the actuary. In any event, in order to obtain sufficient appropriate audit evidence, it is necessary to select a representative group of contributing employers each year on a rotating basis for testing underlying payroll records of employees who are potentially eligible for participation in a cost-sharing plan. Ordinarily, it is more efficient for the auditor to take a control based approach to testing census data and the underlying payroll records of the employers when management has effective processes and controls over the census data.

When planning substantive testwork, the auditor of the cost-sharing plan uses judgment in determining which employers, if any, represent individually important employers to be directly tested at the employer's site annually and separated from the remaining population that is to be tested on a rotating basis. For example, an auditor may decide that any employer that constitutes more than 20 percent of the covered payroll will be considered individually important. Based on the composition of many plans, there may not be any individually important employers or they will likely be limited to one or two.

Once individually important employers have been identified, a risk-based approach may be used to determine which of the remaining employers to select for testing.

The auditor may find the following qualitative factors helpful when selecting employers to test:

- The size of the employer in relation to a plan;
- Past errors or control deficiencies of an employer;
- Length of time since procedures under this section were last performed at an employer;

- Whether there have been significant changes in the workforce of an employer;
- Results of internal analysis (analytical procedures) of employer information;
- New or terminating employer; and
- Whether the financial statements of participating employers are audited and have received unmodified opinions.

The frequency of procedures to be performed by the plan auditor at each employer will depend on the number of employers participating in the plan, the relative size of each employer, and the individual risk assessments. However, note that there often may be circumstances for which employers are not tested as part of such a cycle because they are relatively small and considered to be inconsequential to the plan, both individually and when aggregated with other small employers not subject to testing.

The level and extent of testing depends on whether the plan has effective controls over census data reported by employers to the plan, including a plan management process for verifying the underlying payroll records of the participating employers to determine that the information provided is accurate and complete. Auditor judgment will be needed to determine the approach used to select the employers for the purpose of testing underlying payroll records.

For example, the auditor may develop an approach such that employers representing at least five percent of the participating employees are directly tested at the employer's site at least once every five years. The number of participating employers that individually meet the five percent criteria will vary by plan and in some cases be limited to just a few. The auditor's approach for directly testing the remaining population of participating employers at their sites, which for some plans could number in the thousands, could be such that the remaining participating employers are tested on an approximate 10-year cycle.

Under such a risk-based approach, if the plan auditor cannot or does not perform site visits to directly test census data at each employer selected for testing, such census data could be tested by the employer's auditor as part of an examination engagement in accordance with AT section 101, *Attest Engagements* (AICPA, *Professional Standards*). The plan auditor could then use such examination engagements as substantive evidence in lieu of directly performing the procedures, assuming such engagements are designed to encompass the completeness and accuracy of the census data and the selection of employers subject to the examination engagements, are determined by the plan auditor.

When examination engagements on census data are performed by employer auditors, the plan auditor would still have to determine if there is sufficient reliable evidence over the completeness and accuracy of the census data underlying the plan's financial statement amounts.

As for the census data related to inactive employees and retirees, the plan auditor can directly test records maintained by the plan to obtain sufficient appropriate evidence that the census data reported for inactive employees and retirees to the actuary is correct.

Exhibit 1: Illustration of Above-Described Cost-Sharing Plan Auditor's Risk-Based Approach

Consider a plan with 3,000 participating employers for which the auditor has determined that plan management has effective processes and controls to determine the completeness and accuracy of census data. Based on the number and relative size of the participating employers, as well as a low assessed risk of material misstatement, the auditor determines that one employer constitutes more than 20 percent of covered payroll and is individually important. Accordingly, this employer will be tested on an annual basis. Six employers are at least five percent of covered payroll and will be tested to approximate a five year cycle. The auditor then determines there are 400 very small employers that will never be tested because they represent less than two percent in the aggregate of the total covered payroll. The remaining employers (that is, 2,593) that represent less than five percent of covered payroll will be tested to approximate a ten year cycle.

Single-Employer Plan Auditor's Responsibility for Testing Completeness and Accuracy of Census Data

To provide a basis for designing and performing audit procedures over the total pension liability, including census data, the auditor should identify and assess the risks of material misstatement of the total pension liability. For this purpose, the auditor should:

1. Obtain an understanding of the processes and controls used by the plan's management to support the completeness and accuracy of census data provided to the actuary and controls that have been established relative to the census data. For single-employer plans, there often is a close coordination with employer management and overlapping processes and controls between the plan and employer that should be evaluated in determining the effectiveness of the "collective" plan controls over census data.
2. Consider the likelihood of misstatement and whether the potential misstatement is of such a magnitude that could result in a material misstatement of the total pension liability.

Given the relative simplicity of a single-employer plan, the risk-based approach to testing census data of employers participating in cost-sharing plans does not apply to single-employer plans. As these plans only contemplate one employer, the auditor of the plan would work with the plan and related employer to obtain access to the underlying records of the active, inactive, and retired participants and test the underlying data of selected participants each year to obtain sufficient appropriate evidence that the census data reported to the actuary is correct.

Attachment 2 - AICPA SLGEP Cost-Sharing Employer Reporting Reporting Whitepaper



SLGEP Pension Whitepaper Series

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Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting

This whitepaper is an *other auditing publication* as defined in AU-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards* (AICPA, *Professional Standards*). Other auditing publications have no authoritative status, however, they may help you, as an auditor, understand and apply certain auditing standards. Users of this whitepaper should consult the original material referenced in this practice aid for a complete understanding of the standards, requirements, and guidance.

In applying the auditing guidance included in an other auditing publication, the auditor should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the audit. The auditing guidance in this document has been reviewed by the American Institute of Certified Public Accountants (AICPA) Audit and Attest Standards staff and published by the AICPA and is presumed to be appropriate. This document has not been approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA and does not represent an official position of the AICPA. It is distributed with the understanding that the AICPA Governmental Audit Quality Center is not rendering legal, accounting or other professional services in this publication. The application and impact of laws can vary widely based on the specific facts involved. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

New Pension Standards

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards that will substantially change the accounting and financial reporting of public employee pension plans and the state and local governments that participate in such plans. GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most governmental pension plans. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 67 is effective for financial statements for periods beginning after June 15, 2013. GASB Statement No. 68 is effective for financial statements for fiscal years beginning after June 15, 2014. This whitepaper was prepared by the [AICPA State and Local Government Expert Panel \(SLGEP\)](#) and is intended to describe accounting and auditing issues facing governmental employers (employers) that participate in *cost-sharing multiple-employer defined benefit pension plans* (cost-sharing plan or plan), as well as best practice solutions to address these issues.

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What Has Changed – Employers Must Recognize Proportionate Share of Collective Pension Amounts¹

As background, a cost-sharing plan is one in which the participating employers pool their assets and their obligations to provide defined pension benefits. That is, plan assets can be used to pay retirees of any participating employer in the plan. Such plans frequently have a large number of participating employers, often in the thousands.

Prior to implementing GASB Statement No. 68, employers participating in a cost-sharing plan recognize annual pension expense equal to their contractually required contribution to the plan. Pension liabilities result from the difference between contributions required and contributions made.

Once GASB Statement No. 68 is implemented, employers will be required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). For the first time, employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. Pension amounts to be recognized by employers include the net pension liability,² deferred outflows of resources, deferred inflows of resources, and pension expense. To the extent that a long-term obligation to provide pension benefits (that is, total pension liability) is larger than the value of the assets available in the plan to pay pension benefits, there is a collective net pension liability for which each employer will need to report its proportionate share in their financial statements. This is significant because the employer's proportionate share of collective net pension liability will appear on the face of the employer's accrual-based financial statements for the first time, along with the employer's other long-term liabilities. In many cases, the net pension liability will be material, perhaps more so than any other long-term liability appearing in the financial statements. Further, changes in the net pension liability will be recognized immediately as pension expense, or reported as deferred outflows of resources or deferred inflows of resources, depending on the nature of the change, which could result in reporting four possible categories of deferrals for presentation purposes.³ Theoretically, the pension amounts reported individually by each employer participating in a cost-sharing plan will equal the collective pension amounts for the plan as a whole.

Employer Challenges - Recognizing Proportionate Share of Collective Pension Amounts and Related Auditor Issues

A major challenge faced by each employer participating in a cost-sharing plan is how the employer will obtain all necessary information to support its proportionate share of the collective net pension liability,

¹ Some cost-sharing plans include special funding situations which are situations where a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities (e.g., state government contributes to a local government plan). This paper does not address special funding situations. If such a situation exists, the accounting treatment for the employer would be different than that described in this paper. See GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for more information.

² In this paper references to a net pension liability also apply to situations in which the fiduciary net position exceeds the total pension liability resulting in a net pension asset.

³ The four possible categories of deferrals include: (1) differences between expected and actual experience with regard to economic or demographic factors (that is, differences between expected and actual experience); (2) net difference between projected and actual earnings on pension plan investments; (3) changes of assumptions about future economic or demographic factors or of other inputs (that is, changes of assumptions); and (4) changes in proportion and differences between employer contributions and proportionate share of contributions.

deferred outflows of resources, deferred inflows of resources, and pension expense. In order to calculate each employer's proportionate share of these collective pension amounts, individual proportions will have to be determined by measuring each employer against the total of all of the employers participating in the plan.

Similarly, employer auditors will be challenged in terms of obtaining sufficient appropriate evidence in order to opine on the pension amounts included in employer financial statements. AU-C section 500, *Audit Evidence*, states that the objective of the auditor is to design and perform audit procedures that enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.

While the GASB considered these challenges in developing GASB Statement No. 67, it concluded that the issues would be best addressed through coordination and communication between the plans and employers. There is no question that significant interaction between the plans, participating employers, and related auditors will be needed for purposes of corroborating pension amounts in employer financial statements.

The following sections further describe additional background on some of the more detailed challenges that will need to be overcome.

Limitations with the Audited Statements of the Plan

Under GASB Statement No. 67, the financial statements of cost-sharing plans include only the net pension liability for the plan as a whole but do not include deferred outflows of resources or deferred inflows of resources by category or pension expense for all participating employers. Additionally, the plan financial statements do not include each participating employer's share of the collective pension amounts. Participating employers will need information beyond what is provided in the audited financial statements of the plan to determine their proportionate share of the collective pension amounts.

Methods of Allocation

The basis of an employer's allocation of the collective pension amounts should be consistent with the manner in which contributions to the plan are determined. Although GASB Statement No. 68 encourages an allocation method, often prepared by an actuary, based on an employer's projected long-term contribution effort to the plan as compared to the total projected long-term contribution efforts of all employers contributing to the plan (that is, the actuarial method), the standard allows for other allocation methods to be used, including allocations based on historical measures such as actual contributions or covered payroll. Allocations based on historical measures are likely to be more easily substantiated than the actuarial method. However, the use of such a historical measure may not be appropriate in certain circumstances, for example if there are different classes of benefits.

Responsible Parties – Allocation Percentages

An allocation percentage is necessary to derive an employer's proportionate share of the collective pension amounts. GASB Statement No. 68 does not specify which party (that is, plans or employers) is responsible for calculating the allocation percentages. However, cost-sharing plans are in the best position to perform this calculation because they have all necessary information to do so, including the data supporting the allocation measure for each individual employer (that is, the numerator of the calculation) and for all employers (that is, the denominator of the calculation).

Employers wishing to calculate their own allocation percentages face two challenges. First, if individual employers calculate their own allocation, different employers participating in the same plan might allocate collective pension amounts using different bases. Second, employers may not have the necessary data to accurately calculate the allocation. Participating employers would be able to support their individual amount (that is, the numerator of the calculation), but would not likely have access to all employers' corresponding amounts (that is, the denominator of the calculation).

Responsible Parties – Collective Pension Amounts

As previously discussed, the audited financial statements of cost-sharing plans include only the net pension liability for the plan as a whole, and do not include deferred outflows of resources or deferred inflows of resources by category, or pension expense in total for all participating employers. While deferred outflows of resources and deferred inflows of resources by category and pension expense are not disclosed in the plan financial statements, they are expected to be calculated by the actuary of the plan and included in the actuarial valuation report. Since these amounts relate to all participating employers, it is extremely unlikely that the employer and their auditors would have access to necessary information for the plan as a whole to calculate and verify the collective pension amounts. Clearly, the cost-sharing plans and their actuaries are in the best position to determine these amounts.

Best Practice Solution for Allocation of Pension Amounts

To overcome the various challenges described above, the AICPA SLGEP recommends that cost-sharing plans calculate each employer's allocation percentage and collective pension amounts. This approach will promote consistency in the calculation, as well as minimize the overall effort and cost incurred by all parties involved. The following discussion provides details regarding this recommendation.

Schedule of Employer Allocations and Allocation Method to be Used

The AICPA SLGEP recommends cost-sharing plans prepare a schedule of employer allocations and related notes to the schedule. This schedule would display the proportionate relationship of each employer to all employers and each employer's allocation percentage. The AICPA SLGEP further recommends the plan engage its auditor to obtain reasonable assurance and report on the schedule of employer allocations and related notes to the schedule. Such a schedule could be presented as a stand-alone schedule or included as a supplemental schedule to the plan's financial statements. Regardless, the plan auditor would form an opinion and report on the schedule in accordance with AU-C section 805, *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*.⁴ Note that the AICPA SLGEP is not recommending that the plan auditor provide an in-relation-to opinion as discussed in AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*. This is because the limited assurance provided by an in-relation-to opinion is not sufficient for employers and their auditors to use for purposes of determining that allocation percentages are accurate and reliable.

As discussed in the "Methods of Allocation" section above, the basis of an employer's allocation of the collective pension amounts should be consistent with the manner in which contributions to the plan are determined (that is, the actuarial method or allocations based on historical measures). An example of a schedule of employer allocations based on actual employer contributions is provided below.

⁴ The AICPA Audit and Attest Standards Team is currently developing a series of auditing interpretations that will include guidance for plan auditors when auditing such a schedule.



EXAMPLE COST SHARING PENSION PLAN
 Schedule of Employer Allocations
 6/30/20X5

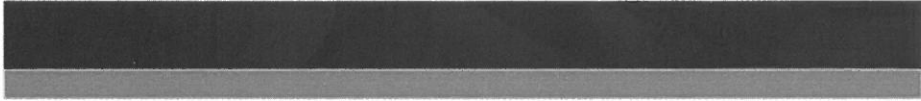
Employer	20X5 Actual Employer Contributions	Employer Allocation Percentage
Employer 1	\$ 2,143,842	36.376 %
Employer 2	268,425	4.554
Employer 3	322,142	5.466
Employer 4	483,255	8.199
Employer 5	633,125	10.742
Employer 6	144,288	2.448
Employer 7	95,365	1.618
Employer 8	94,238	1.599
Employer 9	795,365	13.495
Employer 10	267,468	4.538
Employer 11	403,527	6.847
Employer 12	165,888	2.815
Employer 13	88,454	1.161
Employer 14	6,240	0.106
Employer 15	2,144	0.036
Total	\$ <u>5,893,764</u>	<u>100.000 %</u>

Cost-sharing plans will need to consider the level of rounding or precision (that is, the number of decimal places) used in preparing the allocation calculation. The relative size of the various employers participating in the plan is a key consideration in determining how to round the allocation percentages. That is, if a cost-sharing plan includes one or more very small employers and other larger employers, the calculation likely will require more precision (that is, more decimal places). For example, in the illustrative schedule above, Employer 15 had actual pension contributions of \$2,144 and an employer allocation of .036% (that is, .00036), using five decimal places. Rounding to anything less than four decimal places would result in no allocation to Employer 15.

Schedule of Pension Amounts by Employer

In addition to the recommended schedule of employer allocations, the AICPA SLGEP also recommends that cost-sharing plans prepare a schedule of pension amounts by employer and related notes to the schedule. The AICPA SLGEP further recommends the plan engage its auditor to obtain reasonable assurance and report on total net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities included in this schedule. Such a schedule could be presented as a stand-alone schedule or included as a supplemental schedule to the plan's financial statements. Regardless, the plan auditor would form an opinion on each element described above and report on the schedule in accordance with AU-C section 805.⁵ Note that the AICPA SLGEP is not recommending that the plan auditor provide an in-relation-to opinion as discussed in AU-C section 725. This is because the limited assurance provided by an in-relation-to opinion is not sufficient for employers and their auditors to use for purposes of determining that each

⁵ The AICPA Audit and Attest Standards Team is currently developing a series of auditing interpretations that will include guidance for plan auditors when auditing such a schedule.



element described above is accurate and reliable. In performing the audit of the schedule, the plan auditor may utilize audit evidence obtained during the audit of the financial statements for the public employee retirement system (PERS) as a whole. However, in determining the appropriateness of utilizing such evidence, the plan auditor may need to consider whether the audit procedures were designed at the individual plan level or for the PERS financial statements as a whole.

The schedule of pension amounts by employer would include the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, and pension expense for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net;⁶ and changes of assumptions. Further, each employer is required to recognize two additional types of deferred outflows of resources and deferred inflows of resources related to (1) the net impact from changes in proportion (that is, the allocation percentage) between periods; and (2) differences between actual contributions made by an employer and their proportionate share of total contributions calculated based on the allocation percentage. The proportionate share of the plan pension expense also needs to be adjusted for the amortization of these two additional types of deferrals. While these additional deferrals and amortization amounts can be calculated separately by each employer, the plan may choose to prepare a schedule of pension amounts by employer that includes this information. Doing so would minimize the potential for error by employers.

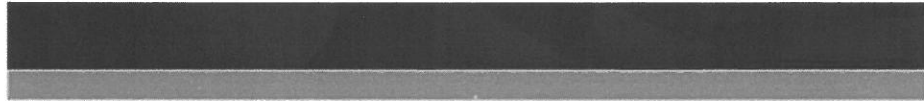
Accordingly, the AICPA SLGEP recommends that the plan prepare a schedule of pension amounts by employer using the allocations discussed previously in this paper. An example of a schedule of pension amounts by employer follows:

⁶ In accordance with GASB Statement No. 68, the various categories of deferred outflows of resources and deferred inflows of resources are required to be disclosed by participating employers and cannot be netted, except for investment experience (that is, the differences between projected and actual investment earnings).



EXAMPLE COST SHARING PENSION PLAN
Schedule of Pension Amounts by Employer
As of and for the year ended 6/30/2005

Entity	Deferred Outflows of Resources					Deferred Inflows of Resources				Pension Expense			
	Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Employer 1	\$ 45,224,620	439,859	1,569,947	1,404,206	695,426	4,108,338	955,917	-	726,425	1,082,342	1,907,283	12,375	1,919,656
Employer 2	5,661,780	54,942	156,533	175,796	84,231	511,502	44,568	-	74,326	118,864	238,777	(1,793)	236,984
Employer 3	6,795,628	65,945	235,892	211,031	117,354	630,192	53,481	-	98,465	151,946	286,596	(8,089)	278,506
Employer 4	10,193,442	99,917	353,836	316,502	161,215	930,472	80,222	-	165,453	245,675	429,894	3,021	432,915
Employer 5	13,355,038	129,597	463,584	414,688	199,845	1,207,634	106,103	-	197,645	302,748	563,229	(9,900)	553,329
Employer 6	3,043,487	29,534	105,646	94,499	59,453	283,132	23,952	-	48,453	72,405	128,355	599	128,954
Employer 7	2,011,585	19,520	69,527	62,459	33,458	185,264	15,831	-	35,345	51,176	84,836	625	85,461
Employer 8	1,987,964	19,291	69,007	61,725	35,425	185,448	15,645	-	16,453	32,098	83,859	(5,712)	78,127
Employer 9	16,777,717	162,811	562,393	520,341	248,356	1,514,501	132,040	-	284,543	416,583	707,576	8,405	715,981
Employer 10	5,641,686	54,749	195,943	175,178	95,465	521,235	44,401	-	44,356	88,757	237,938	(1,189)	236,750
Employer 11	8,512,562	82,606	295,490	264,312	136,453	778,861	66,993	-	148,543	215,536	359,005	1,254	360,259
Employer 12	3,499,761	33,962	121,485	108,666	52,146	316,256	27,543	-	64,354	91,897	147,597	453	148,050
Employer 13	1,443,418	14,037	50,104	44,818	23,156	132,085	11,360	-	33,453	44,813	60,874	(205)	60,669
Employer 14	131,785	1,279	4,575	4,092	1,368	11,914	1,037	-	894	1,931	5,558	147	5,705
Employer 15	44,757	434	1,554	1,390	1,456	4,834	352	-	638	1,050	1,868	7	1,895
Total for All Entities	\$ 124,325,432	1,206,453	4,315,618	3,860,293	1,939,406	11,321,730	978,435	-	1,939,406	2,917,641	5,243,245	-	5,243,245



Schedule of Collective Pension Amounts – Another Alternative

The AICPA SLGEP recommends the schedule of pension amounts by employer illustrated above because it provides all the elements each employer needs to prepare its financial statements. However, since some of the deferred outflows of resources and deferred inflows of resources and related amortization can be calculated directly by the employer using the percentages in the illustrative schedule of employer allocations above (that is, employer specific amounts), a simpler schedule could be prepared by the plan as illustrated below. If the plan chose to prepare this alternative schedule, the AICPA SLGEP recommends the plan engage its auditor to obtain reasonable assurance and report on the net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense included in this schedule in accordance with AU-C section 805.

EXAMPLE COST SHARING PENSION PLAN
 Schedule of Collective Pension Amounts
 As of and for the year ended 6/30/2015

Net Pension Liability	Deferred Outflows of Resources				Deferred Inflows of Resources			Plan Pension Expense
	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Total Deferred Outflows of Excluding Employer Specific Amounts *	Differences Between Expected and Actual Experience	Changes of Assumptions	Total Deferred Inflows of Excluding Employer Specific Amounts *	
\$ 124,325,432	1,206,453	4,315,618	3,860,253	9,382,324	978,435	—	978,435	5,243,245

* Employer specific amounts that are excluded from this schedule are the changes in proportion and differences between employer contributions and proportionate share of contributions as defined in paragraphs .54 and .55 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Under this alternative, each employer would need to calculate two additional types of deferred outflows of resources and deferred inflows of resources which are employer specific amounts. These amounts relate to (1) the net impact from changes in proportion (that is, the allocation percentage) between periods; and (2) differences between actual contributions made by an employer and their proportionate share of total contributions calculated based on the allocation percentage.

Employer and Employer Auditor Responsibilities

The employer is solely responsible for its financial statements and, therefore, is responsible for evaluating the information used to recognize and disclose pension amounts in its financial statements. Similarly, the employer auditor is solely responsible for the audit of the employer's financial statements and, therefore, is responsible for determining the sufficiency and appropriateness of audit evidence necessary to reduce audit risk to an appropriately low level. Nevertheless, the employer and employer auditor may use the plan auditor's report on the schedules to provide evidence that the pension amounts allocated to the employer and included in the employer's financial statements are not materially misstated.



Before using the work of the plan auditor as evidence, the employer auditor should evaluate whether the plan auditor's report and accompanying schedules are adequate and appropriate for the employer auditor's purposes. For example, the employer auditor may review the plan auditor's report and any related opinion modifications and assess other matters discussed in the report. Additionally, the employer auditor should evaluate whether the plan auditor has the necessary competence and independence for the employer auditor's purposes. Further, the employer and employer auditor have a responsibility to verify and recalculate amounts specific to the applicable employer, including the employer amount used in the allocation percentage (that is, the numerator of the calculation), recalculate the allocation percentage for the employer, and recalculate the pension amounts allocated to the employer based on the allocation percentage.

Ramifications if Best Practice Solutions Not Adopted

If a cost-sharing plan issues financial statements, but does not prepare the above described schedules or if it does prepare the above described schedules but does not engage its auditor to opine on them as recommended by the SLGEP, it is unlikely that employer auditors will be able to accumulate sufficient appropriate audit evidence necessary to provide unmodified opinions on opinion units of the government financial reporting entity that have material allocated pension amounts. It is important to emphasize that unaudited information provided by the plan to its employers to support allocations or pension amounts would not be sufficient appropriate audit evidence for their auditors to base their opinions. Some have questioned whether, in absence of the recommendations in this paper being implemented, additional work by the employer and employer auditor could be performed to adequately verify unaudited amounts provided by the plan. The AICPA SLGEP believes that such an alternative approach would likely not be practical. Employers and their auditors have no direct access to key data of the other employers participating in the plan that supports the employer's proportion of the collective pension amounts. Thus, while the AICPA SLGEP acknowledges that the solutions proposed in this paper are recommendations, it believes that there are few, if any, alternatives that employers and their auditors could efficiently and effectively utilize to obtain sufficient appropriate evidence on which to base their pension amounts or the audit opinions, respectively.

Looking Forward

The AICPA is working to develop additional auditing guidance for plan auditors and employer auditors in various forms. For example, the AICPA Audit and Attest Standards Team will be issuing a series of auditing interpretations relating to some of the concepts in this paper, as well as providing guidance on the plan auditor's responsibilities when auditing the schedules described above. A separate paper titled, *Single-Employer and Cost-Sharing Multiple Employer Plans: Issues Associated with Testing Census Data in an Audit of Financial Statements*, has also been released that discusses the role of census data in single-employer and cost-sharing plan financial statements and the plan auditor's responsibility for such census data. Additionally, a separate series of SLGEP whitepapers and auditing interpretations relating to agent multiple-employer plans and a new governmental pension chapter for the AICPA Audit and Accounting Guide, *State and Local Governments* are under development. The chapter will cover various plan and employer auditor considerations, including the ramifications when an employer auditor is not able to obtain sufficient appropriate evidence in order to opine on the pension amounts included in employer financial statements.

9. VENDOR DEFAULT:

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

9.1.1. Failure to perform Contract Services in accordance with the requirements contained herein.

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

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

9.1.4. Failure to remedy deficient performance upon request.

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

9.2.1. Cancellation of the Contract.

9.2.2. Cancellation of one or more release orders issued under this Contract.

9.2.3. Any other remedies available in law or equity.

10. MISCELLANEOUS:

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

Contract Manager: Jiajia Wu

Telephone Number: +1 304 357 5959

Fax Number: +1 866 254 7239

Email Address: jiajia.wu@ey.com

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