

Proposal to Serve

West Virginia Offices of the Insurance Commissioner

Years Ending June 30, 2016, 2017, 2018, and 2019

Firm Name:	Gibbons & Kawash, A.C.
Address:	300 Chase Tower 707 Virginia St., East Charleston, WV 25301
Telephone:	304-345-8400
Contact:	Robert E. Adams, Director Robert R. Denyer, Director
Email:	radams@gandkcpas.com bdenyer@gandkcpas.com

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\\WV Purchasing Division

State of West Virginia
Offices of the Insurance Commissioner

Audit Proposal

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February 23, 2016

Michelle L. Childers, Buyer
Purchasing Division
West Virginia Offices of the Insurance Commissioner
2019 Washington Street East
Charleston, WV 25305

Dear Ms. Childers:

We are pleased to present our credentials to serve as the independent auditors of the West Virginia Offices of the Insurance Commissioner for the years ending June 30, 2016, 2017, 2018, and 2019. The audits will be performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, prescribed by the Comptroller General of the United States. As a client of our firm, you can be sure of our total commitment to provide timely, responsive and quality service.

Gibbons & Kawash is qualified to perform this engagement due to our substantial experience auditing governmental entities. This experience enables us to present unmatched qualifications and expertise in our proposal.

Gibbons & Kawash is independent of the State of West Virginia, and all of its component units, as defined by auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Gibbons and Kawash and all key professional staff are licensed to practice in West Virginia. There were no field reviews of Gibbons & Kawash audits during the past three years and all audits subject to desk reviews have been accepted. No disciplinary action has ever been taken or is pending against the firm.

Enclosed is our proposal to perform the services described above as of and for the years ending June 30, 2016, 2017, 2018, and 2019. We would be pleased to personally present this proposal to you at your convenience. If questions arise regarding this proposal, please feel free to call us at (304) 345-8400. It has been a pleasure for us to respond to your request for proposal and we look forward to the opportunity to provide timely, quality services to the West Virginia Offices of the Insurance Commissioner.

Very truly yours,



Robert E. Adams
Director

FIRM QUALIFICATIONS AND EXPERIENCE

Gibbons & Kawash's Practice

Gibbons & Kawash is a regional accounting corporation based in Charleston, West Virginia, with a staff of over 40 professionals who provide accounting, assurance, business advisory, and tax services to a broad spectrum of clients throughout West Virginia and surrounding states.

We direct significant resources to serving the needs of governmental entities, and recognize this focus as a major factor in our past success and a key element in our strategy for continued growth. Within the public sector practice group, we have developed several highly specialized service niches, including audits of state government agencies. Gibbons & Kawash's foremost goal is to provide **superior quality service**. Everything else is secondary to that goal. The primary focus of our service approach is to exceed client expectations. This approach has helped Gibbons & Kawash build its extensive governmental practice.

Governmental Audit Quality Center

The Governmental Audit Quality Center (GAQC) provides access to comprehensive resources that enhance the quality of audits performed for nonprofit organizations and governments in accordance with *Government Auditing Standards* and Uniform Administrative Requirements, Cost, Principles, and Audit Requirements for Federal Awards (Uniform guidance)/OMB Circular A-133. The GAQC membership provides our firm with timely information on a variety of technical, legislative and regulatory subjects that we can, in turn, apply to our audits to help ensure compliance with the appropriate standards and changes in regulations. By joining the GAQC, Gibbons & Kawash has committed to adhere to the highest quality standards by voluntarily agreeing to the Center membership requirements, which include designating a partner with oversight responsibility for the quality of our nonprofit and governmental audit practice, establishing quality control programs, performing annual internal inspection procedures, and making our peer review report publicly available. The GAQC membership allows our firm to continue our quality initiatives within our nonprofit and governmental audit practice and demonstrates our continued commitment to deliver the most efficient quality audit possible.



We have experience auditing 19 State of West Virginia component units and funds. Our experience during the past three years includes 36 audits of 14 State of West Virginia component units and funds. These entities range in size up to \$3 billion in assets and \$1.6 billion in revenue.

Governmental Services Practice

Within the public sector practice group, we have developed several highly specialized service niches, including audits of state government agencies and Uniform Guidance/OMB Circular A-133 audits of governments and nonprofit organizations.

This practice includes three directors and two senior managers who have extensive experience serving government clients. The core engagement team for the audit of the West Virginia Offices of the Insurance Commissioner (OIC) has been selected from this pool of highly qualified professionals. The team's public sector experience includes cities, authorities, and State of West Virginia agencies and component units. The team has assisted clients in earning and maintaining GFOA certificates in addition to conducting financial and compliance audits under the Single Audit Act and Uniform Guidance/OMB Circular A-133. The specific supervisory engagement team to be employed during the audit of the OIC is discussed beginning on page 6 and in **Exhibit B**.

FIRM QUALIFICATIONS AND EXPERIENCE

Quality Control

Gibbons & Kawash is a member of the American Institute of Certified Public Accountants' Peer Review Program. The Program has established a self-regulatory process which includes requirements for peer review of the member firms every three years. These reviews, which are performed by knowledgeable independent CPAs from other firms, periodically evaluate and test systems of quality control of member firms. Our system of quality control provides assurance that we maintain, on a continuing basis, the highest professional standards to which we are committed. Our most recent external quality control review, which was completed on June 11, 2015, was performed by Hill, Barth & King, LLC. Their opinion, which was "pass" (the highest possible rating under the peer review standards), is on file with the AICPA and is included as **Exhibit C**. This quality control review included governmental audit engagements.

Gibbons & Kawash is licensed and in compliance with all requirements to practice public accounting in the State of West Virginia. Furthermore, we have never been subject to any disciplinary or legal actions resulting from audit or assurance services, nor are there pending or threatened actions against the Firm as a result of such services. There have been no federal or state field reviews of audits performed by Gibbons & Kawash in the past three years and all desk reviews have been accepted.

There have been no field reviews of any Gibbons & Kawash audits by federal or state agencies during the past three years. All audits for which desk reviews have been completed have been accepted.

An Independent Member of the  **BDO**
ALLIANCE USA

Gibbons & Kawash is an independent member of the BDO Alliance USA, a nationwide association of local and regional accounting and consulting firms. Membership enables us to access a level of expertise in specialties which are usually available only from large national and international CPA firms, without the high overhead costs.

As a member, we have access to vast resources and technical expertise, outstanding audit, tax and consulting professionals, and their specialty niche expertise with BDO USA, LLP serving clients through 40 offices and more than 400 alliance firm locations across the United States. BDO, USA, LLP serves as an additional technical resource to your engagement team.

As an independent member of the BDO Alliance USA we offer the resources of a national firm, yet we remain autonomous so you are assured of a local presence of highly trained and knowledgeable experts with your needs in the forefront.

Continuing Professional Education

One of the best measures of a firm's commitment to its audit practice is the depth of specialized training provided to its professionals. Gibbons & Kawash provides internal and external training on governmental accounting, auditing, reporting, and operations in excess of the GAO requirements. In addition, our membership in the AICPA's Governmental Audit Quality Center and Employee Benefit Plan Audit Quality Center requires additional levels of continuing professional education to maintain our membership. We continually monitor the issuance of technical auditing and accounting pronouncements and provide our personnel with specialized training in these areas. Professionals at all levels receive specialized training in seminars and courses presented by nationally recognized experts in governmental and nonprofit accounting, auditing and financial reporting. Gibbons & Kawash's professional staff has met all continuing professional education requirements.

Litigation And Insurance

Gibbons & Kawash has no pending or threatened litigation or regulatory complaints against the firm. We evaluate our level of insurance coverage annually and maintain a prudent amount of coverage.

FIRM QUALIFICATIONS AND EXPERIENCE

Expertise In Computerized Systems

Computerizing the Audit

Gibbons & Kawash is committed to providing our professionals access to sound and advance technology in order to ensure optimum levels of efficiency in our engagements. We use “paperless” audit techniques which enable our professionals to spend more time on judgment matters and in-depth research and analysis, rather than on “number crunching” and other mechanical aspects of client service, which enhances efficiency by allowing for the quick update of key documentation from year-to-year.

With an internet connection, our personnel can work from anywhere and have complete access to the Firm’s local area network as well as access to multiple high quality research sites for research of accounting and auditing issues. Our electronic audit workpaper software allows efficient integration of client prepared word and excel files into our workpaper files.

We combine the use of spreadsheet, word processing, and trial balance software to perform the most efficient audits possible. Some of the benefits of full automation include the ability to:

- Import data directly from your accounting system, thereby eliminating manual keypunching
- Spend more time on judgment matters and in-depth research and analysis rather than on “number crunching” and other mechanical aspects of client service
- The use of pre-formatted spreadsheets from year to year, allowing us to perform ratio and trend analysis on key accounts

We use the following software packages to perform the aforementioned tasks:



ProSystem Fx Engagement - A workpaper preparation program that produces financial statements, trial balances, journal entries, fluctuation and ratio analysis.



Checkpoint - Online access to an expansive library of tax, accounting, auditing, and corporate finance content, including primary source materials and expert analysis.



IDEA - A powerful data extraction and analysis program that provides us with access to large amounts of data from which we can quickly import, join, analyze, sample and extract data from almost any source. Through data extraction and analysis programs, a significant amount of information can be evaluated for unusual relationships, which may be the result of erroneous data.



Prosystemfx Portal - Our client portal offers convenient online storage space in which your confidential information can be uploaded, downloaded, stored and shared in a safe and secure environment.

Encryption

All data on Gibbons & Kawash computers, including our workpapers in our computerized audit documentation management system, is encrypted using a 256-bit algorithm. The data encryption ensures that in the unlikely event that one of our computers were to be lost or stolen, your data and our workpapers would be unreadable to anyone other than Gibbons & Kawash personnel.

FIRM QUALIFICATIONS AND EXPERIENCE

Statistical Auditing Techniques

Gibbons & Kawash utilizes an easy-to-use approach to statistical sampling in auditing that has been thoroughly field-tested and adapted for use on all audits. We will use statistically valid sampling techniques whenever it is considered to be cost-effective.

Prior Engagements with The State Of West Virginia

This represents a sample of engagements performed in the last six years with the State of West Virginia:

	<u>Years Served</u>	<u>Engagement Director</u>	<u>Principal Client Contact</u>	<u>Phone Number</u>
West Virginia Infrastructure and Jobs Development Council	2015, 2014, 2013, 2012, 2011, 2010	Robert R. Denyer	Chris Jarrett	304-414-6500
West Virginia Water Development Authority	2015, 2014, 2013, 2012, 2011, 2010	Robert R. Denyer	Chris Jarrett	304-414-6500
West Virginia Drinking Water Treatment Revolving Fund	2015, 2014, 2013, 2012, 2011, 2010	Robert R. Denyer	Chris Jarrett	304-414-6500
West Virginia Housing Development Fund	2015, 2014, 2013,, 2012, 2011, 2010	Robert R. Denyer	Erica Boggess	304-926-1900
West Virginia Jobs Investment Trust	2015, 2014, 2013, 2012, 2011, 2010	Robert E. Adams	Andy Zulauf	304-345-6200
West Virginia Consolidated Public Retirement Board	2015, 2014, 2013, 2012, 2011, 2010	Robert R. Denyer	J. Darden Greene	304-558-3570
West Virginia Lottery Commission	2015, 2014, 2013, 2012, 2011, 2010	Robert E. Adams	Dean Patrick	304-558-0500
Tobacco Settlement Finance Authority of WV	2015, 2014, 2013, 2012, 2011, 2010	Robert E. Adams	Jane Shinn	304-558-4083
West Virginia Board of Treasury Investments	2015, 2014, 2013, 2012, 2011, 2010	Robert E. Adams	Kara Hughes	304-340-1564
West Virginia Alcohol Beverage Control Administration	2015, 2014, 2013, 2012, 2011, 2010	Robert E. Adams	Julia Jones	304-356-5500
West Virginia Solid Waste Management Board	2013, 2012, 2011, 2010	Robert E. Adams	Scott Norman	304-926-0448
West Virginia Municipal Pensions Oversight Board	2015, 2014, 2013,	Robert R. Denyer	Blair Taylor	304-356-2422
West Virginia Economic Development Authority	2015	Robert E. Adams	David Warner	304-558-3650
West Virginia Division of Highways	2015, 2010	Robert E. Adams	Keith Chapman	304-347-4800

FIRM QUALIFICATIONS AND EXPERIENCE

GFOA's Certificate of Achievement for Excellence in Financial Reporting



Obtaining a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) is a goal for many governmental entities. Gibbons & Kawash is well qualified to assist governments in obtaining and maintaining these certificates.

Gibbons & Kawash has provided technical assistance to the following state agencies in connection with obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting:

- City of Charleston, West Virginia (3)
- West Virginia Board of Treasury Investments (10)
- West Virginia Department of Transportation, Division of Highways (14)
- West Virginia Parkways Authority (5)
- West Virginia Lottery Commission (15)
- West Virginia Prepaid College Tuition Fund (1)
- West Virginia Housing Development Fund (9)
- West Virginia Consolidated Public Retirement Board (3)

ENGAGEMENT TEAM

The ultimate quality of our professional services to the OIC depends on our ability to provide an experienced and capable client service team. We have selected a group of individuals experienced in serving governmental entities. See **Exhibit B** for relevant experience for each member of the engagement team.

Your client service team will include:

Engagement Director

Robert E. Adams, CPA, CGMA, is an audit director in Gibbons & Kawash's audit practice with 20 years of specialized audit experience with governmental entities and Uniform Guidance/OMB Circular A-133 audits. Rob will serve as the engagement director responsible for the audit. In this role Rob will assume primary responsibility for the successful completion of the audit and will maintain contact with senior management of the OIC throughout the engagement to ensure that services and resources are provided to the OIC in a timely, professional manner.

Rob will also provide technical expertise to the audit team on accounting, auditing and financial reporting matters and perform certain on-site review and supervision procedures. Rob serves as the audit director for numerous State of West Virginia component unit audits ranging in size up to \$2.4 billion in assets. His experience also includes assisting certificate applicants with multiple successful submissions under the GFOA's Certificate of Achievement program.

Engagement Quality Control Review Director

Robert R. Denyer, CPA, a director with Gibbons & Kawash, A.C. with over 35 years experience in serving governmental clients, will serve as independent review partner. The role of the engagement quality control review director is an essential element of Gibbons & Kawash, A.C.'s quality control program over the delivery of services to a client. Bob will be available to consult with the audit team on accounting, auditing and reporting matters and provide technical expertise. Bob will be charged with the final review of the financial statements to evaluate the following criteria: clarity of presentation; adequacy of disclosures required by generally accepted accounting principles; and appropriateness of the auditors' report. Bob also has substantial experience with the GFOA's Certificate of Achievement for Excellence in Financial Reporting program having assisted multiple entities with numerous successful submissions for the certificate. His extensive experience with audits of State of West Virginia entities will be of substantial benefit on this engagement.

Senior Manager

Anthony Carpenter, CPA, is a senior manager with 9 years of experience. He currently manages audits of several State of West Virginia component units ranging in size up to \$1.1 billion in assets to \$1.4 billion in revenues. The State of West Virginia component units audited by Anthony collectively include numerous investment types, revenue bonds and general obligation bonds, loans receivable, revenue bonds receivable and consulting with actuaries regarding retirement plan obligations. His experience also includes assisting multiple applicants with successful submissions under the GFOA's Certificate of Achievement program.

Senior Auditor

Staunton Gorrell, CPA, is a senior auditor with three years of experience. His experience includes in-charge responsibility on several component unit audits of State of West Virginia and local government entities.

The certified public accountants on your Gibbons & Kawash client service team are licensed to practice as certified public accountants in West Virginia and will be assigned to this engagement. No changes to our proposed engagement team will be made without the prior approval of the OIC.

ENGAGEMENT TEAM

Consulting Actuaries

Expertise of Consulting Actuarial Staff

Actuarial Risk Management (ARM) will serve on the engagement team as consulting actuaries for the audit of the OIC. Their consulting actuaries, who routinely work in conjunction with audit teams across the U.S., possess the actuarial credentials, industry experience requirements and review expertise needed to adequately discharge these responsibilities.

About Actuarial Risk Management

ARM has been an independent member of the BDO Alliance USA since 2006, and provides risk management and actuarial services to BDO and BDO Alliance firms in a similar role as the "Big-4" accounting firms with their own dedicated staff. ARM covers all industries in the private sector with employee related risks, like retirement and medical cover, to those employer related risks that are self-insured, like workers compensation, medical malpractice, general liability and the like. ARM also supports public sector agencies at the local and state levels too that also contend with similar risk exposures as the private corporate entities. ARM has specialty experience too with insurance company underwriting and capital management needs. ARM's objective is to provide independent practical advice and creative solutions to complex risk problems facing insurance, business, and government entities.

ARM's multidiscipline team blends experts from industry, academia, regulatory and corporate worlds. ARM brings the latest technological tools, ranging from globally recognized modeling projection software for our insurance clients to proprietary claims analysis tools for both health care payors and providers along with those clients with self-insured programs.

ARM Services

Actuarial Valuation Services

The centerpiece of traditional actuarial consulting services is the annual actuarial valuation of the a risk program, like workers compensation. For these types of valuation, ARM gathers information about the programs then analysis the experience to develop a set of reasonable and appropriate balance sheet program liabilities. These results are summarized in a formal report to a client after which ARM provides any necessary clarifications or insight into the methods, assumptions and results under review by an auditor or regulator.

Actuarial Audits and Reviews

ARM provides a range of actuarial audit and review services. ARM has supported the audits of private and public sector organizations of all sizes and jurisdictions, both local and nationally/internationally. ARM brings an audit support team steeped in auditor experience developed from "Big-4" positions.

Actuarial Experience Studies

The key to producing accurate valuations is to ensure assumptions underpinning the valuation are sound and historically relevant to the entity with the program. In the case of OIC, the assumptions under review will be assessed to determine if creditable experience studies for the basis of assumption development where possible. Such studies are vital for exploring past effects of death, disability, and other impairments with the population exposed to the risk program.

ENGAGEMENT TEAM

Consulting Actuaries

The consulting actuaries that would comprise the review team for OIC are as follows:

<u>Consulting Actuary</u>	<u>Industry Experience</u>
Steve Lattanzio	35 years
Kofi Boaitey	20 years
David Rakowski	10 years
Corwin K. Zass	20 years

We have also enclosed resumes in **Exhibit B** for each of these consulting actuaries. The review team will be led by Steve Lattanzio, who will serve as the lead actuary, while Corwin Zass will provide project oversight to the audit team. **Exhibit E** includes information about ARM's practice, including workers compensation services provided to clients such as the Commonwealth of Kentucky which are similar to the OIC.

BDO RESOURCES

BDO provides national resources to serve the insurance industry through the substantial insurance experience of partners and senior managers across the nation, including several workers' compensation carriers. BDO is a significant auditor of insurance companies based on net written premiums.

ADDITIONAL STAFF

Additional staff will be assigned as necessary. Gibbons & Kawash consistently invests in our recruiting program to ensure that we hire the best available employees to serve our clients. All non CPA's will be supervised by CPA's.

Occasionally, there will be a need to change professional staff assigned to the engagement. We believe our depth and internal quality control policies will ensure the quality of any staff changes to the engagement. If any directors, supervisory staff, audit seniors, or consultants need to be changed, we will provide the OIC with notification and any necessary background information on the team members. We understand that the OIC has the right to approve or reject replacements based upon their qualifications, experience or performance.

MANDATORY REQUIREMENTS

Gibbons & Kawash will perform all mandatory requirements specified in Section 4.0 of the CRFG, including the following:

Gibbons & Kawash will express an opinion on the fair presentation of financial statements in conformity with generally accepted accounting principles

Gibbons & Kawash will prepare all supporting schedules required by the Department of Administration for the preparation of the State's Comprehensive Annual Financial Report (CAFR).

Gibbons & Kawash shall also be responsible for assisting in the implementation of supplementary information required by the Governmental Accounting Standards Board (GASB) as mandated by generally accepted auditing standards.

The audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.

Gibbons & Kawash shall provide the deliverables as shown below.

All necessitated meeting and/or conference calls will be conducted on Eastern Time, during the hours of 8:00am to 5:00pm, Monday thru Friday.

Prior to beginning field work, Gibbons & Kawash. will provide a detailed work plan that will identify the major tasks to be accomplished and be used as a scheduling and managing tool, as well as the basis for invoicing. The work plan will be submitted in accordance with the timeline provided below. The work plan will conform to the tasks and the timeline included herein below. Specifically, the audit work plan will describe, in detail, the audit approach for the actuarially determined workers' compensation related liabilities for the various WVOIC funds.

Required Submission or Event	Required Completion/ Submission Date
Entrance conference	Prior to June 30, 2016
Any interim work must be completed	June 30, 2016
Detailed audit plan	July 20, 2016
Fieldwork to begin	On or after August 1, 2016
Draft submitted to the Financial Accounting and Reporting Section (FARS) of the Department of Administration with copies to the Assistant Commissioner of Finance	September 14, 2016
Unsigned final draft with all modifications to the OIC management for review	October 5, 2016
Final Signed report submitted to the OIC and to FARS (PDF format)	October 15, 2016
25 copies of final bound audit report submitted to the OIC	October 25, 2016

EXHIBIT A

**REQUEST FOR QUOTATION,
VENDOR PREFERENCE CERTIFICATE,
PURCHASING AFFIDAVIT, ADDENDUM
ACKNOWLEDGEMENT, CERTIFICATION AND
SIGNATURE, AND CONTRACT MANAGER**



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

State of West Virginia
Request for Quotation
14 – Financial

Proc Folder: 187448

Doc Description: Audit Services for fiscal year

Proc Type: Central Contract - Fixed Amt

Date Issued	Solicitation Closes	Solicitation No	Version
2016-02-05	2016-02-23 13:30:00	CRFQ 0704 INS1600000002	1

BID RECEIVING LOCATION

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

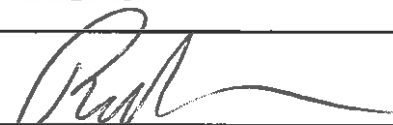
VENDOR

Vendor Name, Address and Telephone Number:

Gibbons & Kawash, A.C.
 707 Virginia Street, East, Suite 300
 Charleston, WV 25301
 304-345-8400

FOR INFORMATION CONTACT THE BUYER

Michelle L Childers
 (304) 558-2063
 michelle.l.childers@wv.gov

Signature X  FEIN # 55-0738589 DATE 2/23/16

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

ADDITIONAL INFORMATION:

The West Virginia Purchasing Division is soliciting bids on behalf of the agency the West Virginia Offices of the Insurance Commissioner (WVOIC), an agency of the West Virginia Department of Tax and Revenue, to establish a Contract with a certified public accounting firm for audit services.

SHIP TO		SHIP TO	
ACCOUNTS PAYABLE MANAGER OFFICES OF THE INSURANCE COMMISSIONER PO BOX 50540		OFFICES OF THE INSURANCE COMMISSIONER 900 PENNSYLVANIA AVE	
CHARLESTON	WV25305-0540	CHARLESTON	WV 25302
US		US	

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Total Price
1	Audit services 2016				\$91,500

Comm Code	Manufacturer	Specification	Model #
84111600			

Extended Description :
To audit the financial records and statements of the agency.
For fiscal year 2016.

SHIP TO		SHIP TO	
ACCOUNTS PAYABLE MANAGER OFFICES OF THE INSURANCE COMMISSIONER PO BOX 50540		OFFICES OF THE INSURANCE COMMISSIONER 900 PENNSYLVANIA AVE	
CHARLESTON	WV25305-0540	CHARLESTON	WV 25302
US		US	

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Total Price
2	Audit services 2017				\$93,500

Comm Code	Manufacturer	Specification	Model #
84111600			

Extended Description :
To audit the financial records and statements of the agency.
For fiscal year 2017.

ACCOUNTS PAYABLE MANAGER OFFICES OF THE INSURANCE COMMISSIONER PO BOX 50540		OFFICES OF THE INSURANCE COMMISSIONER 900 PENNSYLVANIA AVE	
CHARLESTON	WV25305-0540	CHARLESTON	WV 25302
US		US	

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Total Price
3	Audit services 2018				\$96,000

Comm Code	Manufacturer	Specification	Model #
84111600			

Extended Description :

To audit the financial records and statements of the agency.
For fiscal year 2018.

ACCOUNTS PAYABLE MANAGER OFFICES OF THE INSURANCE COMMISSIONER PO BOX 50540		OFFICES OF THE INSURANCE COMMISSIONER 900 PENNSYLVANIA AVE	
CHARLESTON	WV25305-0540	CHARLESTON	WV 25302
US		US	

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Total Price
4	Audit services 2019				\$98,000

Comm Code	Manufacturer	Specification	Model #
84111600			

Extended Description :

To audit the financial records and statements of the agency.
For fiscal year 2019.

INS160000002	Document Phase Final	Document Description Audit Services for fiscal year	Page 4 of 4
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ADDITIONAL TERMS AND CONDITIONS

See attached document(s) for additional Terms and Conditions

REQUEST FOR QUOTATION
Audit Services

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: Robert E. Adams

Telephone Number: 304-345-8400

Fax Number: 304-345-8451

Email Address: radams@gandkcpas.com

**EXHIBIT A : PRICING PAGE
AUDIT SERVICES
FLAT FEE PRICING**

Description	Year	Extended Cost
Total all-inclusive maximum price for audit services as described in this solicitation.	2016	\$91,500
Total all-inclusive maximum price for audit services as described in this solicitation.	2017	\$93,500
Total all-inclusive maximum price for audit services as described in this solicitation.	2018	\$96,000
Total all-inclusive maximum price for audit services as described in this solicitation.	2019	\$98,000
	TOTAL BID AMOUNT	\$379,000

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

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

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

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

Bidder: Gibbons & Kawash, A.C.

Signed: 

Date: 2/23/16

Title: Director

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

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: Gibbons & Kawash, A.C.

Authorized Signature: [Signature] Date: 2/23/16

State of WV

County of Kanawha, to-wit:

Taken, subscribed, and sworn to before me this 23 day of February, 2016.

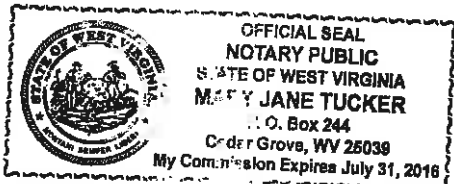
My Commission expires July 31, 2016.

AFFIX SEAL HERE

NOTARY PUBLIC

[Signature]

Purchasing Affidavit (Revised 08/01/2015)



ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.:

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

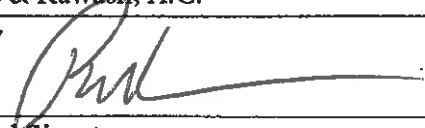
Acknowledgment: I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

Addendum Numbers Received:
(Check the box next to each addendum received)

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

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

Gibbons & Kawash, A.C.
Company


Authorized Signature

2/13/16
Date

NOTE: This addendum acknowledgement should be submitted with the bid to expedite document processing.

CERTIFICATION AND SIGNATURE PAGE

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

Gibbons & Kawash, A.C.

(Company)



Robert E. Adams, Director

(Authorized Signature) (Representative Name, Title)

304-345-8400 / 304-345-8451 / February 23, 2016

(Phone Number) (Fax Number) (Date)

EXHIBIT B

ENGAGEMENT TEAM QUALIFICATIONS AND EXPERIENCE

EXHIBIT B



Robert E. Adams, CPA, CGMA

DIRECTOR

304-345-8400 ph
304-345-8451 fax
radams@gandkcpas.com

Experience

Rob's professional experience during the past 20 years has included significant responsibilities providing audit, tax, and consulting services to numerous public sector entities. Rob's experience auditing several large state governmental entities, local governments, and nonprofit organizations is extensive. His service to governmental and nonprofit organizations includes the following:

- Central West Virginia Regional Airport Authority
- Charleston Area Alliance
- Charleston Urban Renewal Authority
- City of Charleston, West Virginia
- Kanawha County, West Virginia
- Kanawha County Parks and Recreation Commission
- Kanawha Valley Regional Transportation Authority
- Metro Emergency Operations Center of Kanawha County
- School Building Authority of West Virginia
- Tobacco Settlement Finance Authority
- West Virginia Alcohol Beverage Control Administration
- West Virginia Board of Treasury Investments
- West Virginia Consolidated Public Retirement Board
- West Virginia Department of Transportation - Division of Highways
- West Virginia Department of Transportation
- West Virginia Drinking Water Treatment Revolving Loan Fund
- West Virginia Economic Development Authority
- West Virginia Educational Broadcasting Authority
- West Virginia Housing Development Fund
- West Virginia Independent Colleges and Universities
- West Virginia Infrastructure and Jobs Development Council
- West Virginia Jobs Investment Trust
- West Virginia Lottery Commission
- West Virginia Municipal Pensions Oversight Board
- West Virginia Regional Jail and Correctional Facility Authority
- West Virginia Solid Waste Management Board
- West Virginia State Rail Authority
- West Virginia Water Development Authority
- West Virginia Water Pollution Control Revolving Fund

Professional Activities

Rob is a member of the American Institute of Certified Public Accountants, the West Virginia Society of Certified Public Accountants, and the Charleston Chapter of the West Virginia Society of CPAs. Rob is the Firm's Director assigned to the Government Audit Quality Center. Rob is a board member of West Virginia Kids Count.

Education

Rob graduated from the West Virginia Wesleyan College with a Bachelor of Science degree in business administration.

Continuing Professional Education

Rob is in compliance with all applicable CPE requirements.

EXHIBIT B



Robert R. Denyer, CPA

DIRECTOR

304-345-8400 ph
304-345-8451 fax
rdenyer@gandkcpas.com

Experience

Bob has more than 35 years of experience in providing audit, tax, and consulting services to public sector entities, state agencies, nonprofit organizations, and local governments. His in-depth industry knowledge includes such areas as federal grant compliance, indirect cost reimbursement, employee benefit plan issues, and internal control, operational matters, and financial reporting. His service to governmental entities includes the following:

- Central West Virginia Regional Airport Authority
- Charleston Urban Renewal Authority
- City of Charleston, West Virginia
- Kanawha County Parks and Recreation Commission
- Kanawha County, West Virginia
- Kanawha Valley Regional Transportation Authority
- Metro Emergency Operations Center of Kanawha County
- School Building Authority of West Virginia
- Tobacco Settlement Finance Authority
- West Virginia Alcohol Beverage Control Administration
- West Virginia Board of Treasury Investments
- West Virginia Consolidated Public Retirement Board
- West Virginia Department of Transportation
- West Virginia Department of Transportation, Division of Highways
- West Virginia Drinking Water Treatment Revolving Loan Fund
- West Virginia Economic Development Authority
- West Virginia Educational Broadcasting Authority
- West Virginia Housing Development Fund
- West Virginia Infrastructure and Jobs Development Council
- West Virginia Jobs Investment Trust
- West Virginia Lottery Commission
- West Virginia Municipal Pensions Oversight Board
- West Virginia Parkways Authority
- West Virginia Regional Jail and Correctional Facility Authority
- West Virginia Solid Waste Management Board
- West Virginia State Rail Authority
- West Virginia Water Development Authority
- West Virginia Water Pollution Control Revolving Fund

Professional Activities

Bob is a member of the American Institute of Certified Public Accountants, West Virginia Society of Certified Public Accountants, and the Charleston Chapter of the West Virginia Society of CPAs. He is as a board member and past president of the South Charleston Rotary Club and a member of the South Charleston Chamber of Commerce.

Education

Bob graduated from West Virginia University with a Bachelor of Science degree in business administration.

Continuing Professional Education

Bob is in compliance with all applicable CPE requirements.

EXHIBIT B



Anthony Carpenter, CPA

SENIOR MANAGER

304-345-8400 ph
304-345-8451 fax
acarpenter@gandkcpas.com

Experience

Anthony has nine years of professional experience providing audit, tax, and consulting services to several non-profit organizations, local and state governmental agencies, retirement plans, and privately held businesses. His service to public sector entities, as well as some for-profit/nonpublic companies includes the following:

- Charleston Area Alliance
- EastRidge Health Systems
- Hatfield-McCoy Regional Recreational Authority
- Kanawha County, West Virginia
- Kanawha Valley Regional Transportation Authority
- Public Service Commission of West Virginia
- Region VII Planning and Development Council
- School Building Authority of West Virginia
- Seneca Health Services
- United Methodist Foundation of West Virginia, Inc.
- Valley Healthcare System
- West Virginia Consolidated Public Retirement Board
- West Virginia Housing Development Fund
- West Virginia Independent Colleges and Universities
- West Virginia Lottery Commission
- West Virginia Municipal Pensions Oversight Board
- West Virginia Parkways Authority
- West Virginia Regional Jail and Correctional Facility Authority
- West Virginia Solid Waste Management Board
- West Virginia Board of Treasury Investments
- Young Men's Christian Association of Kanawha Valley, Inc.

Professional Activities

Anthony is a member of the American Institute of Certified Public Accountants, the West Virginia Society of CPAs, and the Charleston Chapter of the West Virginia Society of CPAs, member of the Class of 2016 Leadership Kanawha Valley.

Education

Anthony graduated from West Virginia State University with a Bachelor of Science degree in business administration.

Continuing Professional Education

Anthony is in compliance with all applicable CPE requirements.

EXHIBIT B



Staunton Gorrell, CPA

SENIOR

304-345-8400 ph

304-345-8451 fax

sgorrell@gandkcpas.com

Experience

Staunton has 3 years of professional experience providing audit and consulting services to West Virginia state governmental agencies, local governments, and non-profit organizations. His service to public sector entities includes the following:

- City of Charleston, West Virginia
- Kanawha County, West Virginia
- School Building Authority of West Virginia
- West Virginia Consolidated Public Retirement Board
- West Virginia Housing Development Fund
- West Virginia Independent Colleges and Universities
- University of Charleston
- West Virginia Lottery Commission
- West Virginia Solid Waste Management Board
- Young Women's Christian Association of Charleston WV, Inc.

Professional Activities

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

Education

Staunton graduated from James Madison University with a Bachelor of Business Administration degree in Finance.

Continuing Professional Education

Staunton is in compliance with all applicable CPE requirements.

EXHIBIT B

CONSULTING ACTUARIES

YOUR ENGAGEMENT TEAM

Engagement Partner [% of Assignment – 5%]

Corwin (Cory) Zass, ARM Principal & Consulting Actuary

Mr. Zass is the principal founder of ARM. His background rests on the 20+ years of experience as a life actuary successfully aiding numerous U.S. life insurers on product management, capital strategy and managing of financial reporting paradigms. His perspective spans the gamut of roles—chief actuary for \$2B asset mid-size life insurer, appointed actuary to various smaller size insurers, auditing actuary for non-Big 4 auditing firms, state examining actuary of the likes of ING, Protective, and Principal, and consulting actuary—all solidifying his foundation for sound forecasting of life, annuity and health insurance programs. His ability to challenge the status-quo and identify creative solutions has won praises from all of his clients which include those outside the life insurance space.

Engagement – Senior Actuaries [% of Assignment – 80%]

Steve Lattanzio, ARM Senior Casualty Actuary

Mr. Lattanzio has served as President and Consulting Actuary of the ARM Network firm, Actuarial Solutions, since the company's inception in 1990. He brings over 35 years of casualty actuarial experience in reviews of reserve adequacy, the projection of ultimate loss, the analysis of expense needs, the development of rates, and the production of rate filings. Mr. Lattanzio has been recognized by the Vermont as an individual who may analyze and certify loss reserves of Vermont captives. He is recognized by the regulators in Bermuda, New York, Hawaii, South Carolina, the District of Columbia, Nevada, Kentucky, Barbados and the British Virgin Islands as a loss reserve specialist. He has provided expert testimony on numerous occasions.

Kofi Boaitey, ARM Senior Casualty Actuary

Mr. Boaitey provides casualty actuarial support to ARM via his boutique Fort Worth-based actuarial and risk management consulting firm, Capital Actuarial Services (CAS), since the firm's inception in 2007. He brings over 20 years of casualty actuarial experience in loss reserving and ratemaking across most casualty lines of business. Mr. Boaitey has served as the chief actuary of two casualty insurers during the last 10 years as well as provided most of the casualty actuarial support, through a sub-contracting arrangement for Robert Hughes Associates (RHA).

Engagement – Junior Actuary [% of Assignment – 15%]

David K. Raikowski, Junior Actuary

Mr. Rankowski, Junior Consulting Actuary, via the ARM Network firm, Actuarial Solutions, brings over 10 years of hands-on casualty actuarial experience with loss reserve analyses, captive feasibility studies, risk transfer analyses, estimation of premium deficiency reserves, pricing, financial reviews and has also assisted in litigation support engagements on numerous occasions.

EXHIBIT C

**FIRM LICENSE TO PERFORM
ATTESTATION SERVICES AND TEAM
MEMBER CPA LICENSE**

EXHIBIT C



State of West Virginia
West Virginia Board of Accountancy
405 Capitol Street, Suite 908
Charleston, WV 25301-1744
(304) 558-3557

*The entity listed below was issued a
FIRM PERMIT
for the period beginning
July 1, 2015 through June 30, 2016*

**F0152A
GIBBONS & KAWASH CPAS
707 VIRGINIA ST E STE 300
CHARLESTON WV 25301-2710**

Barry J. Buzgen
Board President

Christina A. Farley
Executive Director



State of West Virginia
West Virginia Board of Accountancy
405 Capitol Street, Suite 908
Charleston, WV 25301-1744
(304) 558-3557

*The entity listed below was issued an
Authorization to Perform
Attest and/or Compilation Services
for the period beginning
July 1, 2015 through June 30, 2016*

**F0162A
GIBBONS & KAWASH CPAS
707 VIRGINIA ST E STE 300
CHARLESTON WV 25301-2710**

Barry J. Buzgen
Board President

Christina A. Farley
Executive Director

EXHIBIT C



State of West Virginia
West Virginia Board of Accountancy
405 Capitol Street, Suite 908
Charleston, WV 25301-1744
(304) 558-3557

*The person indicated below is
licensed as a
Certified Public Accountant
for the period beginning
July 1, 2015 through June 30, 2016*

ROBERT E ADAMS
GIBBONS & KAWASH CPAS
707 VIRGINIA ST E STE 300
CHARLESTON WV 25301-2710

Barry J. Burgin
Board President

Cherinda S. Tierling
Executive Director



State of West Virginia
West Virginia Board of Accountancy
405 Capitol Street, Suite 908
Charleston, WV 25301-1744
(304) 558-3557

*The person indicated below is
licensed as a
Certified Public Accountant
for the period beginning
July 1, 2015 through June 30, 2016*

ROBERT R. DENYER
GIBBONS & KAWASH CPAS
707 VIRGINIA ST E STE 300
CHARLESTON WV 25301-2710

Barry J. Burgin
Board President

Cherinda S. Tierling
Executive Director

EXHIBIT C



State of West Virginia
West Virginia Board of Accountancy
405 Capitol Street, Suite 908
Charleston, WV 25301-1744
(304) 558-3557

*The person indicated below is
licensed as a
Certified Public Accountant
for the period beginning
July 1, 2015 through June 30, 2016*

[REDACTED]
ANTHONY LEE CARPENTER
5105 SUNSHINE CIR
CROSS LANES WV 25313

Barry J. Buzgar
Board President

Brenda A. Farley
Executive Director



State of West Virginia
West Virginia Board of Accountancy
405 Capitol Street, Suite 908
Charleston, WV 25301-1744
(304) 558-3557

*The person indicated below is
licensed as a
Certified Public Accountant
for the period beginning
July 1, 2015 through June 30, 2016*

[REDACTED]
STAUNTON THOMAS GORRELL
10 WEST FERN RD
CHARLESTON WV 25314

Barry J. Buzgar
Board President

Brenda A. Farley
Executive Director

EXHIBIT D

EXTERNAL PEER REVIEW



SYSTEM REVIEW REPORT

June 11, 2015

To the Partners of
Gibbons & Kawash, A.C.
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Gibbons & Kawash, A.C. (the firm) in effect for the year ended February 28, 2015. 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* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Gibbons & Kawash, A.C. in effect for the year ended February 28, 2015, 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*. Gibbons & Kawash, A.C. has received a peer review rating of *pass*.

Hill, Barth & King LLC

Certified Public Accountants

EXHIBIT E

ACTUARIAL RISK MANAGEMENT'S PRACTICE

EXHIBIT E



Tel: 512-345-5200
Fax: 512-346-1249
www.actrisk.com

5914 W Courtyard DR
Suite 190
Austin, Texas 78730

SPECIFIC QUALIFICATIONS

- Examples of similar projects completed by the Engagement Team's senior actuaries as well as other relevant resources that ARM brings to the assignment.

[ARM Response: The Engagement Team includes the following two qualified and credential senior casualty actuaries: Steve Lattanzio and Kofi Boaitey, who collectively bring this experience:

Mr. Lattanzio, in his capacity of owner and principal of Actuarial Solutions, has an experienced and hard-working staff, with a strong commitment to providing the best possible service to their clients. Their client list spans many small and medium-sized companies, yet includes large, more recognizable corporations, such as: General Electric, H&R Block, the National Council on Compensation Insurance (NCCI), Indiana University, the Kentucky Workers Compensation Funding Commission, SUBWAY, Kinder Morgan, the Vermont Department of Financial Regulation, the District of Columbia Department of Insurance, Securities and Banking, and the Missouri Department of Insurance, Financial Institutions and Professional Registration.

Mr. Boaitey, who has served as chief actuary of a mid-sized commercial P&C insurance holding company, brings a unique perspective to the Engagement Team. He started his own firm more than a dozen years ago and has provided advisory and audit support to ARM for four years. In those four years, Mr. Boaitey has conducted hundreds of audit reviews of workers compensation self-insured programs for BDO audit clients.

The list below is a subset of a large and available list of clients with a workers compensation program.

Kentucky Workers' Compensation Funding Commission (KWFC)

2001, 2003, 2009, 2011, 2013 and 2015 Bi-Annual Reviews; 2012 and 2014 Interim Analyses Liability Analyses for Three Funds; Determination of Assessments

Mr. Lattanzio's firm was engaged by the KWFC to perform six biennial evaluations (2001, 2003, 2009, 2011, 2013, 2015) of the workers compensation liabilities of the Special Fund, the Uninsured Employers' Fund (UEF) and the Coal Workers' Pneumoconiosis Fund (CWPF), as well as interim updates during 2012 and 2014 of our 2011 and 2013 full analyses. This project involves the determination of: 1) the appropriate assessment rate on all workers compensation premium for the Special Fund (including the UEF); and 2) the assessment rates on coal workers compensation premium and on severed coal tonnage for the CWPF. The results are provided in a report to the KWFC for use in its mandated report to the General Assembly and in a presentation to the KWFC's Board of Directors. In order to determine an assessment rate, the loss liability must first be estimated; the liabilities for these funds have exceeded \$2 billion. This engagement requires an in-depth understanding of Kentucky statutory benefit provisions for traumatic injuries as well as occupational disease (black lung). In addition, benefit changes and court findings have been reviewed for their potential impact on the CWPF's liabilities.

EXHIBIT E



Tel: 512-345-5200
Fax: 512-346-1249
www.actrisk.com

5914 W Courtyard DR
Suite 190
Austin, Texas 78730

Missouri Department of Insurance, Financial Institutions and Professional Registration

2013 - Present

Mr. Lattanzio's contract with the Department covered financial analysis, including review of workers compensation rate filings. Actuarial Solutions entered into a contract with the Missouri Department of Insurance, Financial Institutions and Professional Registration in early 2013 to provide actuarial services related to the review of insurance company product filings and other related matters. In the fall of 2014 we reviewed the proposed 1/1/14 Workers Compensation Residual Market filing on behalf of the Office of the Commissioner of Insurance (OCI). We have subsequently reviewed the 7/1/14 and 7/1/15 Workers Compensation Residual Market filings on behalf of the OCI; Steve Lattanzio testified at the 7/1/14 rate hearing upon conclusion of our review and preparation of our findings.

In 2015, Actuarial Solutions was selected to review the NCCI's January 1, 2016 workers compensation advisory loss cost filing. We analyzed this filing and provided a written report to the Missouri Insurance Department summarizing our observations and conclusions.

General Electric(Electric Insurance Company)

1983 - 2005: Preparation of Rate Filings; Individual Risk Rating Plans; Statistical Reporting; Reserve Projections.

Beginning in 1983, principals of Actuarial Solutions prepared workers compensation and general liability rate filings for both the Electric Mutual Liability Insurance Company and the Electric Insurance Company, which provide insurance to General Electric, their sole commercial insured. Actuarial Solutions has also developed countrywide retrospective rating plans for General Electric's workers compensation, general liability and auto liability exposure, set up a large deductible program for use in conjunction with its workers compensation insurance in several states, and computed factors to adjust workers compensation premium from company to designated statistical reporting levels. Beginning in 2003, Actuarial Solutions was retained to project loss and expense reserves for management's use in establishing IBNR reserve levels; this analysis includes projections for workers compensation, general liability, commercial auto liability, auto physical damage, excess general liability, and several personal lines. In late 2005, GE retained in-house actuaries to take responsibility for these tasks; Actuarial Solutions has provided consulting services on an as-needed basis since that time.

National Council on Compensation Insurance (NCCI)

1990 - Present: Rate Filings

NCCI has retained Actuarial Solutions numerous times to assist with the analysis of workers compensation loss cost and/or rate filings and attend rate hearings. From 1990 to 1995 (when the Kentucky assigned risk pool was legislated out of business by the introduction of a State Fund) Actuarial Solutions analyzed the Kentucky workers compensation residual market data, prepared workers compensation residual market rate filings (for both traumatic as well as coal occupational disease) and attended rate hearings to defend and explain the rate filings. Over an approximate three year period, Actuarial Solutions prepared the coal traumatic and occupational disease portion of the NCCI's Virginia loss cost filings and testified at the hearings regarding this analysis. In 2008 and 2012, NCCI retained Actuarial Solutions to do an independent analysis of its South Carolina loss cost filing and to attend the associated hearing. For the past 7 years, NCCI has retained Actuarial Solutions to independently analyze its Florida rate filing, and Steve Lattanzio has attended and testified at rate hearings before Commissioner McCarty.

EXHIBIT E



Tel: 512-345-5200
Fax: 512-346-1249
www.actrisk.com

5914 W Courtyard DR
Suite 190
Austin, Texas 78730

Minnesota Workers' Compensation Insurers Association (MWCIA)

1986 - 2013:

Rate-making for Workers Compensation Rating Bureau; Benefit Reform Pricing

Actuarial Solutions provided the actuarial analysis that underlies the Minnesota Rate-making Reports from its inception in 1990 through the January 1, 2014 Rate-making Report. Since 1986, Steven Lattanzio provided actuarial consulting services in connection with the preparation of the report, which contains the industry advisory loss costs provided to all insurers writing workers compensation in Minnesota. Actuarial Solutions had the responsibility for the actuarial analysis to determine the needed change in the overall level of loss costs and to make a recommendation to the Actuarial Committee. This includes derivation of ultimate costs by experience period and the undertaking of retrospective testing to identify the best indicated rating approach. We also developed excess loss pure premium factors and a unique class rate-making formula for use in Minnesota. Actuarial Solutions was engaged to evaluate the impact of numerous statutory changes in the benefits provided to injured workers in Minnesota. The annual premium for the Minnesota voluntary market was approximately \$1.5 billion.

Kentucky Coal Producers Self-Insurance Fund

1995 - 2000: Liability Analysis (Traumatic and Occupational Disease)

The Kentucky Coal Producers Self-Insurance Fund (KCP) was a self-insurance group which disbanded in 1991 and which later was declared bankrupt. In 1995, Actuarial Solutions was engaged to review the reserve levels and underlying methodology recommended by the KCP's consulting actuary. Following the initial engagement, Actuarial Solutions was retained to conduct an independent evaluation. The determination of the KCP's liabilities was highly technical, due to the presence of various specific excess and aggregate reinsurance contracts and to the complexity of state and federal black lung occupational disease benefits. Subsequent work has included an evaluation of loss liabilities as of June 30, 2000. Both the analysis of liability as of September 1995 and the analysis as of June 30, 2000 required knowledge of traumatic and occupational disease in Kentucky, and the manner in which the Special Fund interacts with an insurance company (or self-insured) in providing benefits to an injured worker in Kentucky. The work for this client included assistance in the settlement of a lawsuit brought by the KCP against one of its reinsurers.

Virginia Voluntary Loss Costs and Assigned Risk Rates for Coal Mine Classifications

1995 - 1999: Workers Compensation Rate-making (Traumatic and Occupational Disease); Experience Rating

Actuarial Solutions was engaged to revise residual market workers compensation rates and voluntary loss costs and rating values for the coal mine classifications in Virginia for rate filings effective in 1996, 1997 and 1998. This work involved the collection and editing of financial experience in order to develop the indicated rate level need. Actuarial Solutions was also engaged to evaluate the impact on coal employers of adopting the revised experience rating plan; this impact had not previously been measured in an NCCI state. The evaluation involved a complicated and extensive review of individual employer experience rating modification factors. Actuarial Solutions also acted in an advisory capacity with regard to both the voluntary and residual market industrial classifications for several years.

EXHIBIT E

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Tel: 512-345-5200
Fax: 512-346-1249
www.actrisk.com

5914 W Courtyard DR
Suite 190
Austin, Texas 78730

Kentucky Workers Compensation Insurance Plan (KWCIP)

1983 - 1995: Ratemaking (Traumatic and Occupational Disease); Expert Testimony

Actuarial Solutions was involved in the preparation of workers compensation rate filings for the Kentucky assigned risk market from 1983 through 1995, when the KWCIP was legislated out of business. Over the thirteen year period, filings were prepared on behalf of all assigned risk carriers in Kentucky, separately for industrial and coal mine classifications. The rate filings included projections of ultimate loss, review of investment income, analysis of expense needs, calculation of manual rates and rating values, review of rating plans, determination of credits for small deductibles, and various other aspects. Actuarial Solutions also participated in the development of a sophisticated model for pricing coal miners' occupational disease benefits (which reflected RIB, permanent partial and permanent total occupational disease benefits). Mr. Lattanzio provided expert testimony in support of the Kentucky Residual Market Filings at numerous formal rate hearings. Annual premium for the residual market in Kentucky was well in excess of \$100 million.

Captives

In addition to reviewing captive and RRG applications, actuarial reports and statements of opinion for regulators, our Engagement Team has collectively been responsible for preparing actuarial feasibility studies for a number of captives domiciled in various jurisdictions. These studies consider the proposed capital and surplus requirements, required premium, pro-forma financial statements, various reinsurance retention levels and federal income tax ramifications. This includes work for established captives/RRGs that covers, but is not limited to, projections of ultimate loss and associated reserve levels, Statements of Actuarial Opinion, prospective funding levels, dividend analyses, reinsurance studies, commutation (or loss portfolio transfer) studies, and FASB 113 risk transfer analyses. Our consultants have prepared feasibility studies and/or reserve opinions for numerous captive entities located in various domestic and off-shore domiciles.

Vermont Department of Financial Regulation

2001 - Present: Assistance with Financial Examinations and Captive Application Reviews

Connecticut Insurance Department

2013 - Present: Assistance with Financial Examinations

Michigan Department of Insurance and Financial Services (DIFS)

2014 - Present: Assistance with Financial Examinations

District of Columbia Department of Insurance, Securities and Banking (DISB)

2005 - Present: Assistance with Financial Examinations, Feasibility Study Review



GIBBONS & KAWASH

Certified Public Accountants

300 Chase Tower
707 Virginia Street, East
Charleston, West Virginia 25301

Office: 304.345.8400

gandkcpas.com