

**Proposal to Provide Auditing and
Management Advisory Services**

West Virginia Lottery Commission

Year Ended June 30, 2016

Buyer: Michelle L. Childers
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RFQ Number: LOT1600000005
Bid Opening Date: April 26, 2016
Bid Opening Time: 1:30 pm
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By: Robert E. Adams

Date: April 26, 2016

04/26/16 11:48:42
WVU Purchasing Division

April 26, 2016

West Virginia Lottery Commission
900 Pennsylvania Avenue
Charleston, West Virginia 25302

We are pleased to present our credentials to provide professional auditing services to the West Virginia Lottery Commission (the Lottery). Gibbons & Kawash is a leader in providing services to state government entities and the gaming industry in West Virginia. As a client of our firm, you can be sure of our total commitment to provide timely, responsive and quality service.

Gibbons & Kawash has served the Lottery for over 16 years, a period in which the Lottery experienced substantial changes in operations. Racetrack video lottery, limited video lottery and table games were added during this period. Total revenues have grown from \$451 million to as high as \$1.5 billion and were \$1.2 billion in 2015. Our personnel have experienced these substantial changes that have occurred in Lottery operations and you can be confident that Gibbons & Kawash understands Lottery operations as they exist today.

We will perform an audit of the Lottery's financial statements as of and for the year ended June 30, 2016, with the option of two additional one year renewals. Our audit will be performed in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We will also provide professional services to ensure the continued successful submission of the Lottery's Comprehensive Annual Financial Report (CAFR) for the coveted Certificate of Achievement for Excellence in Financial Reporting Program sponsored by the Government Finance Officers Association (GFOA). As described in Appendix A, we have committed an engagement team with extensive experience serving governmental entities and the gaming industry in West Virginia.

Gibbons & Kawash's experience with the Lottery has resulted in a highly trained team knowledgeable and experienced with all West Virginia Code sections relating to the Lottery and its gaming operations. Our personnel have experience auditing all games offered by the Lottery and our understanding and knowledge of the systems and procedures relating to the Lottery's operation of all of its gaming activities is unmatched. Should we be appointed to continue to serve as auditors of the Lottery, the Lottery will receive the highest quality professional audit services from auditors that will plan, conduct, and report on the audit with competence, integrity, objectivity, and that are independent of the Lottery and the State of West Virginia in all respects. In addition, we have access to the resources of one of the nation's largest accounting and advisory firms, BDO USA, and hundreds of other CPA and specialty consulting firms, through our membership in the BDO Alliance USA. Our personnel participate in the BDO Alliance USA Gaming and Hospitality Group and Public Sector Group. These groups provide the latest information and feedback on new accounting standards as well as on operational issues. Other firms would be hard pressed to demonstrate our depth and breadth of experience.

Providing audit services to state government entities is an important part of our practice and one in which we have extensive expertise. We have a wealth of historical experience auditing 28 State of West Virginia component units and funds over the last two decades, which individually range in size up to \$4 billion in assets and \$2 billion in revenues. Gibbons & Kawash has 23 years of experience providing technical assistance and consulting services to State of West Virginia entities for the successful submission of Comprehensive Annual Financial Reports to receive the Certificate of Achievement for



Excellence in Financial Reporting. We have assisted seven component units with over 60 successful submissions for the Certificate including 16 successful submissions by the Lottery. Our experience with similar entities is further described in this proposal.

Substantial changes affecting the financial statements of governments similar to the Lottery are required by GASB Statement No. 72 *Fair Value Measurement and Application* which will be effective for the year ended June 30, 2016. This statement expands the disclosure and measurement criteria for the carrying balances of certain financial assets and liabilities. GASB Statement No. 79, *Certain Investment Pools and Pool Participants*, is effective for fiscal years beginning after December 15, 2015. This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. The amortized cost measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. Your client service team has been trained in the requirements of these technical pronouncements and can provide assistance with implementation.

We have structured this proposal to communicate Gibbons & Kawash's experience and qualifications to effectively and efficiently respond to the requirements and expectations of the Lottery, and have made every effort to completely respond to all matters identified in your request for proposal. We would be pleased to meet with you and formally present our proposal upon your request. If you have any questions, please do not hesitate to contact me at (304) 345-8400.

Very truly yours,

Robert E. Adams
Director

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EXECUTIVE SUMMARY

Gibbons & Kawash will provide the West Virginia Lottery Commission with **ultimate value**:

- **Resources.** Gibbons & Kawash is one of the area's leading CPA firms, and our talented people and state of the art technology provide a distinct client service advantage. Combine our local capabilities with the power of the BDO Alliance USA, a nationwide association of independent CPA firms with the strength of 10,000 professionals and \$1.5 billion in revenues, and our resources are unsurpassed.
- **Experience.** The depth and breadth of our experience in serving state and local governments is extensive. Gibbons & Kawash serves many State of West Virginia component units and funds each year, including the Lottery. And we can draw upon the experience of the BDO Alliance USA as necessary. But more importantly, our experience serving the Lottery and other State of West Virginia component units affords us a comprehensive understanding of the audit that simply cannot be matched.
- **Quality.** To ensure the consistent delivery of superior quality service, we have developed a comprehensive system of quality control which covers every aspect of our practice. External quality control review reports have demonstrated that we maintain, on a continuing basis, the highest professional standards.
- **Accessibility.** When you have a problem or need advice, you need to know that your client service team will be there to take the call and to follow through with a sense of urgency. Whether you have a quick question or a special project that requires more time, our proven track record demonstrates that you have priority access to your client service team. Also, clear, proactive communication is our most important tool for maximizing efficiency and effectiveness, and is a year-round process. We will keep you informed about new audit and accounting issues that could affect your organization. And we encourage you to contact us anytime - your engagement team is accessible, and we won't bill you for brief phone consultations, unless extensive research is required.
- **Commitment.** From the first day of our relationship, the WV Lottery Commission has continued to be a valued client. We will be committed to meeting the timelines you establish, to actively seek to add value to the services we provide, and to ensure that we exceed your expectations.
- **No surprises - ever.** Not in the delivery of service, not in our final reports, and not in our fees. As your organization tackles its challenges and opportunities, you can rest assured that our firm will be there to offer dependable, superior quality service.

PROFILE OF GIBBONS & KAWASH

OVERVIEW

The West Virginia Lottery Commission (the Lottery) operates in an increasingly complex and challenging environment. Our experience and knowledge of the Lottery and similar governmental entities is unmatched by other local firms, and ensures our ability to deliver the responsive, meaningful services you require.

GIBBONS & KAWASH'S PRACTICE

Gibbons & Kawash is a professional independent accounting firm which provides a full range of accounting and auditing, tax and management consulting services to clients throughout West Virginia, as well as portions of Ohio, Pennsylvania, Kentucky and Virginia, and is a leading firm in providing auditing, accounting, and consulting services to governmental clients. Our governmental services practice professionals have many years of experience in providing expert, high quality audit services to State of West Virginia component units and local governments.

AN INDEPENDENT MEMBER OF THE



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. Our participation in the BDO Alliance USA Gaming and Hospitality Group and the Public Sector Group provide us with immediate access to the latest information and feedback on new accounting standards as well as indentifying and resolving operational issues. 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.

COMMITMENT TO QUALITY

At Gibbons & Kawash, an uncompromising commitment to provide superior quality service is the overarching principle which governs the administration of every engagement.

To ensure the consistent delivery of quality services, we have developed a comprehensive system of quality control which covers virtually every aspect of our practice. This system is formalized in a written quality control document to which every staff member is expected to adhere. The elements of our quality control system are as follows:

- Leadership responsibilities for quality
- Relevant ethical requirements
- Acceptance and continuance of clients and engagements
- Human resources
- Engagement performance
- Monitoring

PROFILE OF GIBBONS & KAWASH

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 **Appendix B**. 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 several years and all desk reviews have been accepted.

Audit Quality Centers

Gibbons & Kawash was among the first firms in West Virginia to join the AICPA's Audit Quality Centers. Membership in the Centers indicates that we recognize the specialized knowledge and experience necessary to perform audits of government entities, audits of nonprofit organizations receiving government funds, and employee benefit plan audits. We are committed to going well beyond the minimum requirements of our professional standards to enhance our service capabilities in these areas.

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.



Employee Benefit Plan Audit Quality Center

As a member of the Employee Benefit Plan Audit Quality Center, we receive comprehensive resources and up-to-date information on a variety of technical, legislative, and regulatory subjects to assist us in performing employee benefit plan audits and ensure clients are in compliance with the appropriate standards and changes in regulations. These resources help us respond quickly to new standards and requirements to ensure the efficiency of your audit engagement.



PROFILE OF GIBBONS & KAWASH

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.

EXPERTISE IN COMPUTERIZED SYSTEMS

Gibbons & Kawash is committed to providing our professionals access to proven and advanced 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, PDF and Excel files into our workpaper files.

We combine the use of spreadsheet, word processing, data extraction, 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 provides convenient online storage space in which your confidential information can be uploaded, downloaded, stored and shared in a safe and secure environment.

PROFILE OF GIBBONS & KAWASH

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.

QUALIFICATIONS AND EXPERIENCE

GIBBONS & KAWASH RECENT ENGAGEMENTS WITH THE STATE OF WEST VIRGINIA

| | <u>Years Served</u> | <u>Engagement Directors Through Period Served</u> | <u>Principal Client Contact</u> | <u>Phone Number</u> |
|--|---|---|---------------------------------|---------------------|
| West Virginia Board of Treasury Investments | 2015, 2014, 2013, 2012, 2011, 2010 | Robert E. Adams/ Robert R. Denyer | Kara Hughes | 304-340-1564 |
| West Virginia Housing Development Fund | 2015, 2014, 2013, 2012, 2011, 2010 | Robert R. Denyer | Erica Boggess | 304-926-1900 |
| West Virginia Lottery Commission | 2015, 2014, 2013, 2012, 2011, 2010 | Robert E. Adams/ Robert R. Denyer | Dean Patrick | 304-558-0500 |
| West Virginia Alcohol Beverage Control Administration | 2015, 2014, 2013, 2012, 2011, 2010 | Robert E. Adams | Julia Jones | 304-356-5500 |
| Tobacco Settlement Finance Authority of WV | 2015, 2014, 2013, 2012, 2011, 2010 | Robert E. Adams | Jane Shinn | 304-558-4083 |
| West Virginia Jobs Investment Trust | 2015, 2014, 2013, 2012, 2011, 2010 | Robert E. Adams/ Robert R. Denyer | Andy Zulauf | 304-345-6200 |
| West Virginia Water Development Authority | 2015, 2014, 2013, 2012, 2011, 2010 | Robert R. Denyer/ Robert E. Adams | Chris Jarrett | 304-414-6500 |
| West Virginia Infrastructure and Jobs Development Council | 2015, 2014, 2013, 2012, 2011, 2010 | Robert R. Denyer/ Robert E. Adams | Chris Jarrett | 304-414-6500 |
| West Virginia Drinking Water Treatment Revolving Loan Fund | 2015, 2014, 2013, 2012, 2011, 2010 | Robert R. Denyer/ Robert E. Adams | Chris Jarrett | 304-414-6500 |
| West Virginia Consolidated Public Retirement Board | 2015, 2014, 2013, 2012, 2011, 2010 | Robert R. Denyer | J. Darden Greene | 304-558-3570 |
| West Virginia Economic Development Authority | 2015 | Robert E. Adams | David Warner | 304-558-3650 |
| West Virginia Municipal Pensions Oversight Board | 2015, 2014, 2013, | Robert R. Denyer | Blair Taylor | 304-356-2422 |
| West Virginia Department of Transportation, Division of Highways | 2015, 2010, 2009 | Robert E. Adams | Susan Creager | 304-558-9420 |
| West Virginia Solid Waste Management Board | 2014, 2013, 2012, 2011, 2010, 2009 | Robert E. Adams/ Robert R. Denyer | Scott Norman | 304-926-0448 |

RELEVANT GOVERNMENTAL EXPERIENCE

The West Virginia Lottery Commission is a complex governmental entity with extensive financial reporting and disclosure requirements. Our personnel selected for the Lottery engagement team are experienced with the specialized financial reporting and compliance requirements applicable to the operations of the Lottery as a government entity. Engagements identified in the section entitled RECENT ENGAGEMENTS WITH THE STATE OF WEST VIRGINIA are engagements most similar to the engagement described in

QUALIFICATIONS AND EXPERIENCE

your request for quotation. Their annual audits are performed under *Government Auditing Standards* and/or performed in accordance with *Uniform Guidance/OMB Circular A-133* standards. Most of the audits include required reporting of supplemental information to the West Virginia Financial Accounting and Reporting Section (FARS).

LOTTERY EXPERIENCE

Gibbons & Kawash has audited the financial statements of West Virginia Lottery Commission for 16 years and has an in-depth knowledge of the operations of the Lottery. During this time the Lottery's operations have expanded and have become substantially more complex, adding Racetrack Video Lottery, Limited Video Lottery, and Table Games. Our personnel are familiar with the requirements of the State Lottery Act, the Racetrack Video Lottery Act, Limited Video Lottery Act, Table Games Act, and Limited Gaming Facility Act, as well as the many other laws and regulations applicable to Lottery operations as presently designed. Our staff has detailed knowledge regarding all of the Lottery's various gaming types (Traditional, Racetrack and Limited Video Lottery Games and Table Games) as well as the computer systems currently in use by the Lottery to operate its traditional games, limited video lottery, and racetrack video lottery, as well as the related controls that impact complete and accurate financial reporting.

In connection with its traditional games, the Lottery conducts live televised drawings. Our personnel include 18 individuals with over 34 years of combined experience observing the drawings.

ADDITIONAL GAMING INDUSTRY EXPERIENCE

Our gaming industry experience includes over 15 years of providing financial statement auditing services to a licensed racetrack, Mardi Gras Casino and Resort (formerly Tri-State) in Cross Lanes, West Virginia. The scope of our work included Racetrack Video Lottery operations at the track, which operated "coin drop" machines and "TITO" (ticket in ticket out) machines, as well as pari-mutuel wagering operations. Our experience with the licensed racetrack has provided a unique perspective for our understanding of racetrack video lottery.

We performed separate engagements for two licensed racetracks in West Virginia (Tri-State and Mountaineer) relating to evaluations of procedures and controls over their pari-mutuel wagering or totalisator (tote) systems. These services included procedures at the local tracks and at the off-site data center responsible for processing data from over 60 tracks in the eastern U.S. utilizing inter-tote protocol. These services were provided to one track (Mountaineer) for two years and another track (Tri-State) for over 10 years. Our experience with these systems has contributed to our ability to evaluate electronic controls and procedures in environments such as the Lottery's.

ENGAGEMENT TEAM

The ultimate success and quality of our professional services to the West Virginia Lottery Commission depends on our ability to provide an experienced and capable client service team. We have selected a group of individuals experienced in serving several of our governmental entities. Resumes of your service team are presented in **Appendix A**.

Engagement Director - Robert E. Adams, CPA, CGMA, will serve as the engagement director within this engagement team. Rob will assume primary responsibility for the successful completion of the audit and will maintain contact with senior management of the Lottery throughout the engagement to ensure that services and resources are provided to the Lottery in a timely professional manner. Rob will also provide technical expertise to the audit team on accounting, auditing, and financial reporting matters and perform on-site review and supervision procedures. Rob has 16 years of experience providing service to the Lottery.

QUALIFICATIONS AND EXPERIENCE

Engagement Quality Control Review Director - Robert R. Denyer, CPA, a director with Gibbons & Kawash who has extensive experience in serving governmental clients, will serve as the engagement quality control review director for the WV Lottery Commission. The role of the engagement quality control review director is an essential element of Gibbons & Kawash's quality control program. Bob will be charged with objectively evaluating the significant judgments made by the engagement team and the conclusions reached in formulating our report. Bob has 16 years experience providing financial auditing services to the Lottery.

Audit Senior Manager - Anthony Carpenter, CPA is responsible for developing the engagement plan, supervising and coordinating the efforts of the engagement team, identifying and researching technical issues, and administrative matters. Anthony will be in contact with you to ensure your needs and deadlines are met and will be onsite to manage the audit process on a daily basis. Anthony has five years experience providing financial auditing services to the Lottery.

Audit Senior - Staunton Gorrell, CPA has three years of experience auditing the Lottery's' financial statements as a staff auditor and his knowledge and experience regarding the audit services is invaluable. Since Staunton has not attained the five year experience threshold, various senior auditor activities will be performed by the engagement senior manager. The audit senior will be a vital link in the chain of communication between your staff and ours.

GOVERNMENTAL PRACTICE

Gibbons & Kawash has a long tradition of providing the highest quality professional services to governmental clients. Our governmental and nonprofit practice is managed by a core team of professionals, including four directors. The core engagement team for the Lottery has been selected from this pool of highly qualified professionals. In addition to State of West Virginia entities, the team's public sector experience includes cities, counties, and authorities.

Gibbons & Kawash has a long tradition of providing the highest quality professional services to governmental clients. Our governmental experience includes the following:

- City of Charleston, West Virginia
- Central West Virginia Regional Airport Authority
- Kanawha County Commission
- Kanawha Valley Regional Transportation Authority
- School Building Authority of West Virginia
- Tobacco Settlement Finance Authority of West Virginia
- 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 Drinking Water Treatment Revolving Loan Fund
- West Virginia Economic Development Authority
- West Virginia Housing Development Fund
- West Virginia Infrastructure and Jobs Development Council
- West Virginia Jobs Investment Trust
- **West Virginia Lottery Commission**
- 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 Loan Fund

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 and local government in connection with obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting:

- City of Charleston, West Virginia
- West Virginia Board of Treasury Investments
- West Virginia Department of Transportation, Division of Highways
- West Virginia Parkways Authority
- **West Virginia Lottery Commission**
- West Virginia College Prepaid Tuition and Savings Program
- West Virginia Housing Development Fund
- West Virginia Consolidated Public Retirement Board

STAFFING CONTINUITY

Our staffing and scheduling policies have historically been very successful in maximizing audit team continuity from year to year. Effective staff recruiting and retention is a top priority for our firm, because we realize that our most valuable investment is our people. We recruit only those who have achieved a high academic standing and have demonstrated commitment, ambition, and leadership skills, and offer them a proactive approach to staff development that includes a mentoring program, comprehensive training at every level, and performance evaluations after every significant engagement.

We view continuity of engagement teams to be in the best interest of the Firm and our clients. Staff repetition enhances audit effectiveness and efficiency, and is our guiding principle in scheduling. When personnel changes are unavoidable, the depth of our pool of experienced professionals gives us the ability to select a replacement with relevant experience at comparable entities.

OTHER SPECIALIZED SERVICES

In addition to providing traditional audit services in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*, some of the additional services we offer include the following:

- Benchmarking and ratio analysis
- Business valuation services
- Capital financing/financial feasibility studies
- Compliance audits in accordance with Uniform Guidance/OMB Circular A-133
- Design and evaluation of internal controls
- Employee benefit plan auditing and IRS/DOL compliance
- Exempt entity tax planning and compliance, including evaluation of UBTI issues
- Financial forecasts and projections
- Forensic investigation services
- Preparation and examination of indirect cost rate proposals
- Recruitment of financial personnel
- Small business solution services
- Software evaluations and consultations
- Quarterly and semi-annual reviews/compilations

QUALIFICATIONS AND EXPERIENCE

AFFIRMATIVE STATEMENTS

General and Specific Terms and Conditions – By signing and submitting this proposal, Gibbons & Kawash agrees to be bound by all terms contained in this RFQ (LOT1600000005). This includes by reference all Terms and Conditions described in all parts of RFQ LOT1600000005.

Independence - Gibbons & Kawash is independent of the Lottery, the State of West Virginia, and any component units of the State of West Virginia, as defined by generally accepted auditing standards and *Government Auditing Standards*.

License to Practice - Gibbons & Kawash and all assigned key professional staff are licensed to practice public accounting and perform assurance services in West Virginia.

Registration - Gibbons & Kawash is properly registered with the State of West Virginia Purchasing Division and has paid all required fees.

Federal or State Desk or Field Reviews - There have been no field reviews of Gibbons & Kawash audits during the past several years and all desk reviews have been accepted.

Disciplinary Action - No disciplinary action has been taken or is pending against Gibbons & Kawash.

Insurance - The Firm is in good standing and maintains sufficient professional liability and workers compensation insurance through policies with reputable insurance carriers.

CPA's - Gibbons & Kawash employs 16 certified public accountants who are members of the AICPA.

Reports - Upon request, the Firm will provide any reports the Lottery and/or the Purchasing Division may request including, but not limited to, quantities purchased, agencies utilizing the contract, total contract expenditures by agency, etc.

SERVICE APPROACH

A SERVICE PHILOSOPHY BASED ON VALUE

We reject the notion that an audit is a commodity. First and foremost, we are in business to serve our clients, to help them solve their problems, achieve their objectives, and to make a solid contribution to their success. Our people work to identify and respond to our clients' needs. We believe that in the course of conducting an audit, your accounting firm should generate information and develop insights that-in the hands of professionals who combine competence with judgment, maturity, and creativity-will result in improved controls, greater efficiencies, and clear, concise, and understandable financial reporting. It is this "value-added" philosophy to client service that has molded our approach to engagement management and distinguishes us from other firms.

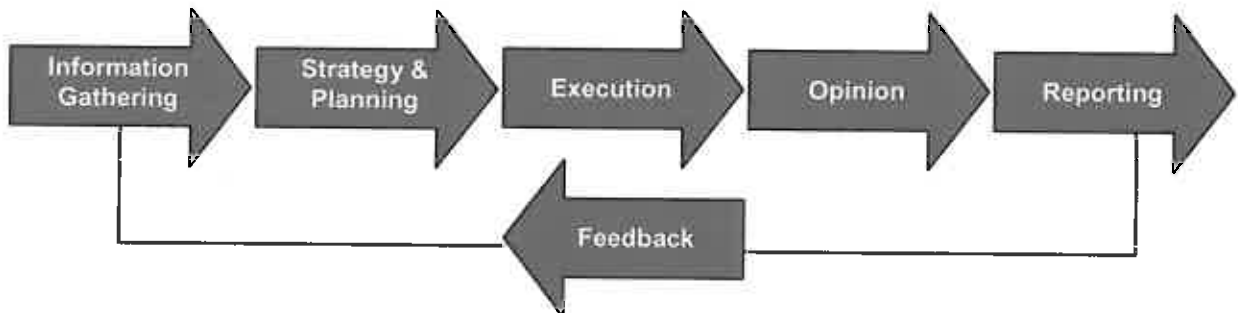
CLEAR COMMUNICATION

We value the candid exchange of ideas and opinions with our clients, and we maintain an open and robust dialogue with management and those charged with governance. We believe that communication is the most important tool for maximizing audit efficiency and effectiveness.

- Prior to the audit, we will meet with management and the Audit Committee to assist us in planning the audit. Taking the time to listen to you during the planning process is crucial to ensuring that we understand your organization and its risks.
- Our key team members will also meet with management frequently during the engagement to keep you apprised of our progress, to discuss any issues that may arise, and to solicit feedback regarding our performance.
- At the conclusion of our audit, we will communicate in writing regarding the results of the audit and any internal control matters that are required by professional standards to be communicated and we will meet with management to discuss these matters.
- We also encourage contact throughout the year, and your client service team has been and will be ready to consult with you any time you have a question. To demonstrate this commitment to meaningful dialogue, we do not bill for brief phone calls throughout the year. Of course, if a question requires extensive research, we will let you know and arrive at a fee estimate in advance.

OUR METHODOLOGY

Our methodology is broken down into six phases:



- We will gather sufficient information on the key audit risks including the development of our understanding of key internal controls, to enable us to design appropriate audit procedures, and conduct the audit in the most efficient manner and within the pre-agreed time frame and budget.

SERVICE APPROACH

- Information gathering will also include a “prepared by client” list with agreed timetable for provision of information and year-end planning meetings.
- We will calculate an appropriate materiality level which reflects the perceived audit risk and is based on our in-depth understanding of your engagement.
- We will use suitably qualified staff to ensure an efficient audit, while maximizing the opportunity for value added service from their experience.
- We will ensure clear and timely communication of issues to avoid any surprises and to enable smooth reporting.

EMPHASIS ON PLANNING AND RISK ASSESSMENT

We recognize that every organization we serve is unique. Effective and thorough planning is the key to ensuring that our approach is tailored to meet your specific needs and is the cornerstone of successful engagement management. From this understanding emerges a written plan and work programs - road maps which will be used by the engagement team to execute field work.

The most critical part of planning an audit is risk assessment. Risk assessment refers to the auditor’s identification and assessment of risks of material misstatement at both the financial statement and relevant assertion levels. Obtaining an understanding of the organization, including its internal control, is an essential aspect of the consideration of risk. Our goal here is to get beyond the numbers, to develop a clear understanding of your organization, your goals and objectives, and the environment in which you operate.

Some risk assessment procedures which we will perform are as follows:

- Inquiries of management and others within the organization and those charged with governance, including specific inquiries related to fraud risks
- Obtaining an understanding of internal controls (both entity-level and activity-level controls)
- Performing “walkthroughs” of key internal controls and conducting interviews with personnel
- Performing analytical procedures of trends and relationships reported in the balances of the financial statements at the account and grouping levels
- Review of internal documents such as by-laws, minutes, and written policies and procedures
- Review of important contracts and agreements
- Engagement team “brainstorming” session to identify ways in which the financial statements could be misstated, especially as related to misappropriation or intentional misstatement

Once risk has been assessed, we are able to determine the quality and quantity of audit evidence required to limit that risk to an acceptable level. We will synthesize the information gathered during the planning and risk assessment procedures to develop a risk-based approach that concentrates audit effort on those areas where the dollar volume of transactions is significant and the risk of material misstatement is greatest.

The comprehensive planning process is the cornerstone of adapting our audit approach to the needs identified by risk assessment for the Lottery.

SERVICE APPROACH

The audit approach we take is both innovative and prudent in responding to the risk assessment; and its impact on the opinion provided on the financial statements of the Lottery. These items help to determine the quality and quantity of audit evidence required to limit that risk to an acceptable level.

INTERNAL CONTROL

As mentioned above, obtaining an understanding of internal controls is an important part of the risk assessment process. We will obtain an understanding of the five interrelated components of internal control:

- a. Control environment
- b. Risk assessment
- c. Information and communication
- d. Monitoring
- e. Control activities

Our understanding of internal control will be sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Our understanding of internal controls incorporates two primary elements - the evaluation of the design of the control and a determination of whether it has been implemented. We will identify key controls and perform walkthroughs, observations, and inquiries to determine that they have been implemented.

Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed.

CONSIDERATION OF LAWS, REGULATIONS, CONTRACTS AND GRANTS

Identifying and ensuring that the Lottery complies with laws and regulations is the responsibility of management. We will include appropriate inquiries of management and staff of the Lottery to identify laws and regulations with which noncompliance could have a direct and material effect on the financial statements. We will also review relevant portions of the West Virginia Code, code of State Rules, and relevant regulations. We will test the provisions of those laws, regulations, grants and contracts for noncompliance which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions is not an objective of our audit, and accordingly, we will not express such an opinion. We will report on the results of our tests if we discover any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

AUDIT PLAN AND EXECUTION

The above risk assessment, planning, and information gathering result in the development of the audit plan which is a detailed audit approach supplemented by written, detailed audit programs. The plan will be scrutinized by the engagement director to determine that the specific procedures developed are appropriate, efficient and reasonable in the circumstances.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Our procedures will include tests of documentary evidence supporting the transactions recorded in

SERVICE APPROACH

the accounts, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected sources, creditors, and for financial institutions. We may also request written representations from your attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. The objective also includes reporting on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements in accordance with *Government Auditing Standards*.

Upon completion of fieldwork, the reporting phase will be completed in draft form and reviewed by the engagement in-charge, director, and independent director, prior to submission to the Lottery's management for their review. After any questions or concerns have been answered, the final reports will be issued.

We will issue our report on the fair presentation of the Lottery's financial statements in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We will inform the Lottery of each of the following:

- The auditor's responsibility under generally accepted auditing standards and *Government Auditing Standards*
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit
- Significant abuse

In addition, if we discover matters that are considered control deficiencies or other opportunities to strengthen existing controls or provide operational efficiency we will provide those in written form to management in a communication separate from the deliverables described above, commonly referred to as a management letter.

SCOPE OF WORK

Gibbons & Kawash will conduct an audit with the objective of expressing an opinion on the fair presentation of the Lottery's financial statements for the fiscal year ending June 30, 2016, with the option to audit each of the two subsequent fiscal years, in conformity with U.S. generally accepted accounting principles. Our audit will be performed in accordance with the requirements of generally accepted auditing standards and *Government Auditing Standards*. In addition, we will assist in the preparation of all supporting schedules required by the Department of Administration for the preparation of the State's Comprehensive Annual Financial Report (CAFR). We will also assist in the implementation of required supplementary information required by the Governmental Accounting Standards Board (GASB).

SERVICE APPROACH

The West Virginia Lottery Commission will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement of Excellence in Financial Reporting program. Gibbons & Kawash will provide special assistance to the Lottery to meet the requirements of that program as follows:

- Advise the Lottery on the technical standards necessary to file a CAFR for an enterprise fund.
- Review the Lottery's CAFR documents and assist in the development of meaningful statistical charts and data by providing direct on-site assistance to the LOTTERY staff.
- Formulate the auditor's report to be included in the Lottery's CAFR.
- Proofread the CAFR prior to filing to assure financial data and context of discussions are appropriate.
- Assist in the preparation of schedules, charts and graphs to be placed in the CAFR.

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

Following the completion of the audit of the fiscal year's financial statements ending June 30, 2016, Gibbons & Kawash will issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles. In addition, we will provide an "in-relation-to" opinion on the supporting schedules required by FARS based on the auditing procedures applied during the audit of the financial statements.

Gibbons & Kawash will communicate in a letter to management any significant deficiencies and material weaknesses found during the audit.

Gibbons & Kawash will make an immediate, written report of all irregularities and illegal acts of which we become aware to the following parties:

- Lottery Director
- Lottery General Counsel
- Finance/Audit Committee of the Lottery Commission

Gibbons & Kawash will report to the West Virginia Lottery Commission's Finance/Audit Committee each of the following within 60 days of the issuance of the audit:

- The auditor's responsibility under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit

INDEPENDENCE

Gibbons and Kawash have conveyed that our directors and client service team are restricted from wagering, winning, or participating in any racetrack video lottery or limited video lottery games, traditional games or table games regulated by the State Lottery Commission. We will require a signed statement from all directors and affected employees of Gibbons and Kawash A.C., certifying they will not play or collect any prize from any West Virginia regulated video lottery game, traditional game or table game.

SERVICE APPROACH

Gibbons and Kawash will use all reasonable resources to exert its best efforts to enforce this restriction. We also acknowledge a failure of any director or employee to comply with this restriction will result in forfeiture of any winnings, termination of the offending director or employee, and/or termination of this contract.

AUDIT TIMELINE

Gibbons and Kawash shall have drafts of the audit report and recommendations to management available for review by the Deputy Director of Finance and Administration and internal auditors by August 31st immediately following the fiscal year-end being audited.

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

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

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

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

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

STAFFING APPROVAL

the Lottery has the right to refuse the services of any on-site employee of the successful bidder based on the employee's competence or criminal background. All management, supervisory, and key personnel who will be active in the audit shall be subject to initial and periodic background checks using the Lottery's electronic fingerprint capture system. An individual shall be removed from supporting the contract as an outcome of adverse results from the background checks. the Lottery will only refuse the services of an individual if that individual has a conviction for any violation of the W.Va. Code § 29-22-1 et seq., § 29-22A-1 et seq., § 29-22B-1 et seq., § 29-22C-1 et seq., or § 29-25-1 et seq., or for any felony, or any crime involving moral turpitude, or any other crime that may have bearing upon the individual's fitness to support the contract.

CONFIDENTIALITY

Gibbons & Kawash shall have access to private and confidential data maintained by the Lottery to the extent required for Gibbons & Kawash to carry out the duties and responsibilities defined in this contract. Gibbons & Kawash agrees to maintain confidentiality and security of the data made available.

WORKPAPER RETENTION AND ACCESS TO WORKPAPERS

All workpapers will be provided, upon request, as they pertain to any questioned costs determined in the audit. The workpapers will be concise and provide the basis for the questioned costs as well as any analysis of the problem. The workpapers will be available for examination by authorized representatives of any cognizant federal or state audit agency, the Government Accountability Office, or the WV Lottery Commission. The workpapers and reports will be retained, at our expense, for a minimum of five years,

SERVICE APPROACH

unless we are notified in writing by the Lottery of the need to extend the retention period. In addition, we will respond to the reasonable inquiries of any successor auditor and allow the successor auditor to review workpapers relating to matters of continuing accounting significance.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE OF THE ENGAGEMENT TEAM

APPENDIX A



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 Certified Public Accountants. He 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.

APPENDIX A



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, 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
- Public Service Commission of West Virginia
- 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 Certified Public Accountants. He is 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.

APPENDIX A



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, includes the following:

- Central West Virginia Regional Airport Authority
- Charleston Area Alliance
- City of Charleston, West Virginia
- Kanawha County, West Virginia
- Kanawha Valley Regional Transportation Authority
- Public Service Commission of West Virginia
- Region VI Planning and Development Council
- Region VII Planning and Development Council
- School Building Authority of West Virginia
- United Methodist Foundation of West Virginia, Inc.
- West Virginia Consolidated Public Retirement Board
- West Virginia Department of Transportation - Division of Highways
- 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 Certified Public Accountants, and the Charleston Chapter of the West Virginia Society of Certified Public Accountants, he is a 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.

APPENDIX A



Staunton Gorrell, CPA

SENIOR

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

Experience

Staunton has three 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:

- Central West Virginia Regional Airport Authority
- 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 Certified Public Accountants.

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.

APPENDIX B

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

APPENDIX C

FIRM LICENSE TO PERFORM ATTESTATION SERVICES AND TEAM MEMBER CPA LICENSES

APPENDIX 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. Burgess
Board President

Chanda A. Tierney
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*

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

Barry J. Burgess
Board President

Chanda A. Tierney
Executive Director

APPENDIX 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. Burson
Board President

Kristina S. Turling
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. Burson
Board President

Kristina S. Turling
Executive Director

APPENDIX 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*

ANTHONY LEE CARPENTER
5105 SUNSHINE CIR
CROSS LANES WV 25313

Barry J. Burgess
Board President

Brenda S. 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*

STAUNTON THOMAS GORRELL
10 WEST FERN RD
CHARLESTON WV 25314

Barry J. Burgess
Board President

Brenda S. Farley
Executive Director

APPENDIX D

**VENDOR PREFERENCE CERTIFICATE, PURCHASING AFFIDAVIT,
CERTIFICATION AND SIGNATURE PAGE,
ADDENDUM ACKNOWLEDGEMENTS, CONTRACT MANAGEMENT**

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;
 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 & Kewash A.C.

Signed: _____

Date: 4/26/16

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 §81-5-3) 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 & Kowach, A.C.

Authorized Signature: [Signature] Date: 4/25/16

State of WV

County of Kanawha, to-wit:

Taken, subscribed, and sworn to before me this 25 day of April, 2016

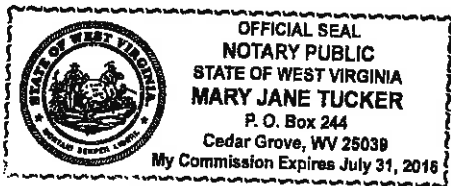
My Commission expires July 31, 2016

AFFIX SEAL HERE

NOTARY PUBLIC

[Signature: Mary Jane Tucker]


Purchasing Affidavit (Revised 08/01/2015)



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 & Kwash, A.C.
(Company)

 Robert Adams, Director
(Authorized Signature) (Representative Name, Title)

304-345-2400 / 304-345-8451 4/26/16
(Phone Number) (Fax Number) (Date)

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 & Kwashi, A.C.
Company


Authorized Signature

4/26/16
Date

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

APPENDIX D

CONTRACT MANAGEMENT

During our performance of this contract, Gibbons & Kawash will designate and maintain a primary contract manager responsible for overseeing responsibilities under this contract. The contract manager will be available during normal business hours to address any service or other issues related to this contract. Our contract manager and their contact information is as follows:

Contract Manager: Robert E. Adams, Director Gibbons & Kawash, A.C.

Telephone Number: 304-345-8400

Fax Number: 304-345-8451

Email Address: radams@g2ndkcpa.com

APPENDIX E

QUOTATION AND LOT160000005 PRICING PAGE

APPENDIX E

QUOTATION AND LOT160000005 PRICING PAGE

| DESCRIPTION | YEAR | COST |
|--|------------------|-----------|
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2016 | \$36,850 |
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2017 | \$36,850 |
| Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of CAFR, and all other services as described in this solicitation. | FY 2018 | \$36,850 |
| | Total Bid Amount | \$110,550 |