



A Proposal to Provide Professional Services to
**WEST VIRGINIA CONSOLIDATED PUBLIC
RETIREMENT BOARD**

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WV Purchasing Division

SEPTEMBER 2016



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TRANSMITTAL LETTER

September 29, 2016

Dept. of Administration
Purchasing Division
2019 Washington Street East
Charleston, WV 25305-0130

Thank you for giving BDO USA, LLP ("BDO") the opportunity to present our proposal to meet the auditing needs of the West Virginia Consolidated Public Retirement Board ("CPRB"). Based on our collective substantial experience, we can contribute significantly to the continued success of CPRB. The firm selected to serve CPRB must demonstrate that it has the depth of resources required to perform this engagement in a timely fashion; experience in performing audits of the size and complexity; and the ability to understand and test internal controls, including compliance with laws and regulations. The proposed engagement team has vast experience conducting engagements performed in accordance with standards established by the American Institute of Certified Accountants and U.S. Government Accountability Office, *Government Auditing Standards*. The BDO Team offers unmatched experience in relation to the services required by CPRB.

- ▶ **Smooth Transition with a Commitment to Perform the Work in a Timely Manner.** BDO's approach to client service rests on the principle that successful professional relationships are built on close communication. Equally important is the participation of engagement team members who know your system. That's why we plan to utilize our local BDO Alliance firm, Gibbons & Kawash to assist us in completing key fieldwork areas such as performing employer census testing and leveraging word processing familiarity. These two factors – communication and first-hand expertise – will ensure the timely delivery of efficient professional services to CPRB.
- ▶ **Demonstrated Experience and Commitment to Serving the Government Pension Systems.** We have a dedicated team of individuals who are dedicated to the nuances government pension systems have. The members of the BDO engagement team understand the issues you face, have helped similar clients through issues, and will utilize their prior experience to ensure CPRB audit services are handled in an efficient and timely manner.
- ▶ **Personal Attention and World-Class Experience and Service.** As one of the nation's leading public accounting firms and the U.S. partner of the world's fifth largest international accountancy network, BDO offers the depth of resources, extensive technical expertise, and breadth of skills one expects from a national firm with world-class resources. Combined with a personalized approach to client service and a commitment to extensive director involvement in all of our engagements, BDO offers CPRB unparalleled service at the best value available in the accounting profession.

CPRB will be a valuable client to BDO and will receive the full attention of our senior resources. In this document, we have detailed our qualifications as the best choice for CPRB. This proposal is an irrevocable offer for one month after the due date of the proposal. Keith Hammond, Assurance Director, will serve as the engagement leader and the primary contact for CPRB with respect to the proposal. If you should have any questions, please do not hesitate to contact me at 302-468-3771 or khammond@bdo.com.

Sincerely,

Keith Hammond, CPA
Director



FIRM OVERVIEW



ABOUT BDO

63 BDO USA offices with more than 450 independent Alliance firm locations nationwide



For more than 100 years, BDO USA has been recognized as a premier accounting, tax and consulting organization for our exceptional client service; experienced, accessible service teams; focus on quality and efficiency; and our ability to adapt to, and navigate successfully in, a changing marketplace.

Founded as Seidman & Seidman in New York City in 1910, the firm has grown to serve clients through 63 offices and more than 450 independent alliance firm locations nationwide.

Comprised of independent accounting firms, the BDO Alliance USA provides BDO clients the depth and breadth required for virtually any tax or assurance issue, anywhere in the country. To member firms, the Alliance offers the resources and collaborative opportunities of BDO, one of the world's leading accounting and consulting networks, without any loss of autonomy.

Gibbons & Kawash is our chosen Alliance firm partner for this job, providing direct insights from prior experience with CPRB and providing local staffing.



Statistics as of and for the year ended 6-30-15.

FIRM QUALIFICATIONS AND EXPERIENCE

BDO AND THE PUBLIC SECTOR

We provide audit, tax and advisory services to government clients in a range of capacities through our national public sector practice. While professionals from all over the country help support our national practice, the largest concentration of these professionals are in our Greater Washington D.C., Wilmington, DE, Grand Rapids, MI, and Anchorage, AK offices.

BDO PUBLIC SECTOR STATISTICS

- ▶ Over 300 Partners, Directors, Managers, Seniors and Staff dedicated to government work
- ▶ Annual government training provides all professionals with the Yellowbook CPE required for service on government clients
- ▶ Partner/Staff Ratio: 1 Partner/9 Staff
- ▶ Ability to leverage other specialties within the national firm to address needs of specialized government entities, such as benefit plans, utility operations, banking/financing activities, and real estate holdings.

ABOUT OUR CLIENTS

- ▶ BDO serves a diverse group of pension systems, municipalities, states and territories, government authorities, and public action agencies. These diverse government clients share a number of the accounting and reporting issues faced by CPRB. Let our vast experience helping them benefit CPRB as well.

Our notable clients served by the national public sector practice include:

- ▶ Delaware Public Employees Retirement System*
- ▶ City of Grand Rapids Police & Fire Retirement System and General Retirement System
- ▶ Dallas Police & Fire Pension System*
- ▶ Sussex County, DE
- ▶ Delaware College Investment Plan
- ▶ Houston Police Officers Pension System*
- ▶ North Carolina Housing Finance Agency
- ▶ City of Wilmington Firefighters & Police Pension Plans
- ▶ Philadelphia Authority for Industrial Development
- ▶ District of Columbia
- ▶ Virgin Islands Water and Power Authority
- ▶ Municipality of Anchorage, AK
- ▶ Public Gas Partners
- ▶ Government of the US Virgin Islands

*Indicates that the government pension system prepares a 5 section Comprehensive Annual Financial Report (CAFR) that has received the Excellence in Financial Reporting award issued by the GFOA. BDO reviews and technically advises our clients on all submissions for which our audit opinion is included. It should be noted that many of our other non-pension system clients also submit CAFR's that receive the GFOA award. Alliance firm Gibbons & Kawash also has extensive experience with CPRB's CAFR and will be an asset to the proposed BDO team which utilizes our Alliance firm resources.

- ▶ Your proposed team and BDO's public sector group includes professionals we can leverage to assist the CPRB from offices in your region. These offices include Wilmington, Washington DC, Philadelphia, Pittsburgh, Columbus, Richmond. Finally, in the event any of our national specialists are needed outside the region or not on the identified team, BDO will bring these resources to CPRB.



BDO'S PUBLIC SECTOR INDUSTRY CREDENTIALS

Challenging times call for a new perspective.

The public sector is facing many challenges. In addition to political gridlock, the federal deficit has caused many agencies' budgets to shrink over the last several years, meaning that government leaders are under pressure to accomplish more with reduced funding. Pension systems in particular are under vast scrutiny of both promised future obligations and the investment choices to fund those obligations.

BDO's Public Sector Practice serves a wide variety of clients across many levels of government. In addition to our Federal Government clients, we also serve Regional, State, and Local Governments, drawing on deep experience to provide strategic, innovative solutions. Offering a unique depth of capabilities and resources, BDO helps government leaders develop tailored strategies and implement practical solutions that make the most of their limited resources.

Our senior-led teams are unbiased and provide valuable support to government leaders as they review their programs and budgets. From proprietary research to timely reports, BDO shares its thought leadership in a number of ways, staying at the forefront of this ever-evolving space.

Beyond traditional audit, tax and consulting work, BDO helps our government clients with a comprehensive array of services including:

- ▶ Organizational strategies
- ▶ Fraud detection and prevention
- ▶ Program evaluation and litigation support

Wherever government entities operate, our professionals provide swift resolution of technical issues and questions through senior-led client service teams, direct access to technical leaders, and the resources of our global network in more than 100 countries.

BDO provides a distinctly different option for clients by finding the right fit in terms of service scope, capabilities, geographic coverage, client service philosophy and client profile.

We recognize that the Public Sector is not a one-size-fits-all market which is why we tailor our sophisticated array of services to effectively meet your needs.

BDO'S PUBLIC SECTOR INDUSTRY CREDENTIALS



We deliver a broad array of services and solutions to meet our clients' needs across the Government spectrum. We are armed with significant knowledge and experience in each of the following areas:

- ▶ CAFR Review / Disclosures
- ▶ Capital Assets
- ▶ Central Coordination
- ▶ Convention Center
- ▶ Debt / Financing
- ▶ Economic Development
- ▶ Fiduciary Fund
- ▶ General Fund
- ▶ Grants Management
- ▶ Health / Medicaid
- ▶ Housing Finance
- ▶ Information Systems
- ▶ Lottery
- ▶ Nursing Homes
- ▶ Parks and Recreation
- ▶ Payroll
- ▶ Pooled Cash / Investments
- ▶ Procurement
- ▶ Proprietary Fund
- ▶ Public Schools
- ▶ Public Works
- ▶ Retirement Plans / OPEB
- ▶ Risk and Insurance
- ▶ Sports Commission
- ▶ Taxes and Revenue
- ▶ Tobacco Settlement Authority
- ▶ Transportation
- ▶ Unemployment Compensation
- ▶ Universities
- ▶ Water / Sewer



BDO'S PUBLIC SECTOR INDUSTRY LEADERSHIP

Our focus and experience is demonstrated both in our relevant client work and our thought leadership. From proprietary research to timely reports and industry events, BDO is at the forefront of the public sector conversation.

Whether in the field with our clients, authoring articles on salient issues, speaking at industry conferences, or commenting on breaking news, our industry practices bring perspective on trends, opportunities, issues and regulations that frame our services and approach to address your needs and your industry.

Our professionals believe in the power of industry participation. Many of our public sector group professionals remain active in organizations and trade associations, present at industry conferences and seminars, and author articles or serve as resources for trade publications.

PUBLICATIONS AND TECHNICAL UPDATES

We share our knowledge through a variety of thought leadership, keeping you abreast of relevant news and hot topics that go beyond balance sheets and financial statements.

- ▶ **Nonprofit Standard**, published by BDO's Institute of Nonprofit Excellence, provides relevant critical information for governments and nonprofits including accounting pronouncements, regulatory developments, and financial information;

- ▶ **BDO Knows**, a series of newsletters, flash reports and conference calls addressing significant financial reporting developments affecting both public and privately held companies;
- ▶ **Significant Accounting & Reporting Matters**, a quarterly guide on the latest corporate governance and financial reporting developments;
- ▶ **Client Advisories**, concise and timely commentary, analysis and insights on events and trends.

Our Tax practice also publishes a variety of newsletters and breaking tax alerts in specialty tax areas such as state and local taxation, international, federal, and compensation and benefits.





BDO SERVICES FOR THE PUBLIC SECTOR REGIONAL, STATE & LOCAL GOVERNMENTS

We perform hundreds of financial, compliance, and federal awards audits each year and engage in efforts to design, direct, or recommend corrective action programs to assist governmental and other public sector agencies remediate deficient practices and establish effective accounting protocols, systems, and procedures.

Many of these have been complex and comprehensive projects requiring coordination of multiple tasks for numerous entities within short timelines. We are, therefore, prepared and well qualified to perform the comprehensive set of required audits and prepare all of the reports required by the regional, state and local governments in a coordinated and integrated manner that meets your needs for accurate reporting and prompt delivery.

Collectively, we have encountered a variety of issues over the years and helped governments resolve them. When GASB Statement No. 67 and 68 became effective, we assisted several governments in implementing the pronouncements. Our governmental clients get regular advice from us about emerging accounting and tax issues. Many of these clients annually submit their CAFR to the Government Finance Officers Association ("GFOA") for a *Certificate of Achievement for Excellence in Financial Reporting*.

Further, BDO professionals have been certified by leading organizations dedicated to education, research, and professional standards. This commitment to quality and continuous professional development enables us to deliver seamless services to your world. As part of our Total Client Satisfaction® program, our national Governmental Services Group consists of approximately 300 audit, tax, and consulting professionals.

BDO offers a breadth of services tailored to meet your needs, including:

- ▶ Assurance, Accounting and Financial Reporting
- ▶ Inspector General Support Services
- ▶ Technology Governance and Portfolio Management
- ▶ Compliance, Risk Advisory and Crisis Management
- ▶ Fraud Detection/Prevention, Investigations and Litigation Support
- ▶ Enterprise Risk Management and Internal Audit
- ▶ Business Process Enhancement



SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT/INVESTMENT ENTITIES

Nationally, BDO has an impressive list of large government, quasi-government, and corporate pension defined benefit plans including Delaware Public Employees' Retirement System, Houston Police Officer's Pension System, Grand Rapids General Retirement System, and Dallas Police & Fire Pension System. We also audit a significant number of defined contribution plans, including the Delaware College Investment Plan and numerous 403(b) and 457 plans.

It should be noted that BDO's Alliance firm Gibbons & Kawash has significant experience and history auditing CPRB. BDO plans to use Gibbons & Kawash as a subcontractor for approximately 35% of the audit hours. In doing so, they will bring a seamless transition via knowledge of processes and systems, relationships with CPRB staff, familiarity with Plan employer contacts, and working paper and CAFR/financial statement formatting templates to expedite any transition to a new firm and make the transition process as easy as possible for CPRB staff. This engagement from 2005 through 2015 covering the 9 separate plans and over \$14 billion in assets was led by Director Robert Denyer.

Delaware Public Employee Retirement System - Financial audit of the Pension System, GASB 68 Schedules

Audit of the System (approximately 9 plans) financial statements approximately including approximately \$9 billion of assets including investments in various classes (i.e. Equity, Fixed Income, Pooled, Alternative). Audit of GASB 68 Employer Allocation Schedules. GFOA Certificate of Achievement for Excellence in Financial reporting for the Comprehensive Annual Financial Report: <http://www.delawarepensions.com/Financials.shtml>

Dates as Auditors	2016 - Present
Total Staff Hours	2,300 Hours
Key Audit Team	Keith Hammond CPA, Brock Thomas, CPA, Andrew Quynn, CPA, Pat Duperron, CPA
Reference	David Craik, Pension Administrator - (302) 855-7741

City of Wilmington, Delaware - Financial/Single Audits, Delaware Firefighters' Pension Plan & Delaware Police Pension Plan - Financial Audits

Audit of the City's financial statements including assets and liabilities of non-uniformed pension and OPEB plans. Government has \$500 million of assets. GFOA Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report. <http://www.ci.wilmington.de.us/government/city-departments/department-of-finance/financial-reports>

Dates as Auditors	2004 - 2014
Total Staff Hours	1900 Hours
Key Audit Team	Keith Hammond CPA, Andrew Quynn, CPA, Patricia Duperron CPA
Reference	Mary McDermott, Pension Coordinator, (302) 576-2482

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT/INVESTMENT ENTITIES

Houston Police Officers' Pension System

Financial statements audit of the System, including assets of over \$4 billion comprised of a variety of investment classes. GFOA Certificate of Achievement for Excellence in Financial reporting for the Comprehensive Annual Financial Report. <https://www.hpops.org/publications/cafr/>

Dates as auditors	2005- Present
Total staff hours	1,800
Key Audit Team	Patrick Little, CPA
Reference	Kevin O'Toole, Accounting Manager (713) 869-3734

Delaware College Investment Plan

Financial statements audit of the State of Delaware's 529 Plan. The Plan has various investments of approximately \$620 million.

Dates as auditors	2013- Present
Total staff hours	1,000
Key Audit Team	Brock Thomas CPA, Andrew Quynn, CPA
Reference	Shana Payne, Director of Delaware Higher Education Office (302) 943-8018

Dallas Police and Fire Pension System

Financial statements audit of the System's two plans with combined assets of over \$3 billion. GFOA Certificate of Achievement for Excellence in Financial reporting for the Comprehensive Annual Financial Report. <https://www.dfpf.org/annualreports.html>

Dates as auditors	2014- Present
Total staff hours	1,700
Key Audit Team	Jill Svboda, CPA
Reference	Summer Loveland, Chief Financial Officer (214) 780-2815

The proposed engagement team is available to meet the needs of CPRB and our on-going work with other governmental/investment entities will not impact timely delivery of efficient professional services to CPRB.



SPECIFIC ENGAGEMENT APPROACH





EFFECTIVE AUDIT APPROACH

HIGH QUALITY, RISK-FOCUSED AUDIT

BDO employs a proprietary global audit methodology that will enable our BDO engagement team to conduct a high quality, risk-based audit with maximum efficiency and minimal disruption to CPRB operations and personnel. While all financial statement audits are required to comply with applicable auditing standards, audit firms use different methodologies to meet those standards, and the methodology used can have a significant effect on the quality and efficiency of service provided.


BDO has taken this one step further having developed industry-specific customization into our audit methodology, beyond the core industry-neutral auditing standards. For example, our industry practice leaders have developed specific audit content and compliance strategies for audit areas that are unique to our clients' environments. This includes, but is not limited to, industry-specific testing strategies, risk supplements, working paper guides, and required communications customization to help ensure those matters most important to those charged with corporate governance are given the highest attention. As a result, our engagement teams are best equipped to understand our clients and their businesses, providing a higher quality audit with greater efficiencies for our clients.

COORDINATED APPROACH


- ▶ We will place significant emphasis on close coordination with management to gain a meaningful understanding of management's own risk assessments and procedures in place to address those risks in order to make our own work as efficient and effective as possible.
- ▶ We will gather sufficient information on the market and key business/audit risks to enable us to design appropriate audit procedures, and conduct the audit in the most efficient manner and within the agreed time frame and budget. Information gathering will also include a "prepared by client" list with an agreed-upon timetable for obtainment of information and pre-year-end planning meetings.
- ▶ We will promote clear and timely communication of issues to avoid last minute surprises and to enable smooth and timely reporting.
- ▶ We also seek to provide feedback to management in ways that controls can be improved as early as possible, to help management in performing its responsibilities to maintain effective controls, and leverage any changes made by management early in our audit process.



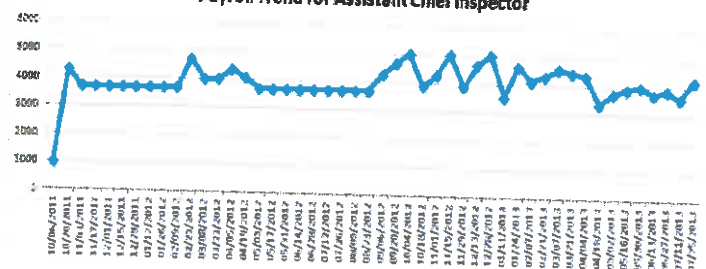
WHY BDO'S APPROACH IS DISTINCTIVE - SOFTWARE TO BE USED ON ENGAGEMENT

- ▶ **APT Software.** BDO's audit methodology follows a "top-down, risk-based" approach. Using our proprietary tool, Audit Process Tool (APT), we assess the entity level risks and controls through a targeted information gathering tool in order to assess the overall General Risks and Controls (including IT General Controls) and to identify specific financial reporting risks at a granular level. APT houses our electronic workpapers. 
- ▶ **IDEA Software.** The engagement team will also utilize *IDEA* software for sample selections. *IDEA* contains a number of sample size determination programs and is our preferred software for both non-statistical and statistical sample selection. The *IDEA* program also properly evaluates attributable sample results, as well as stratified random (using classical variables analysis) samples.

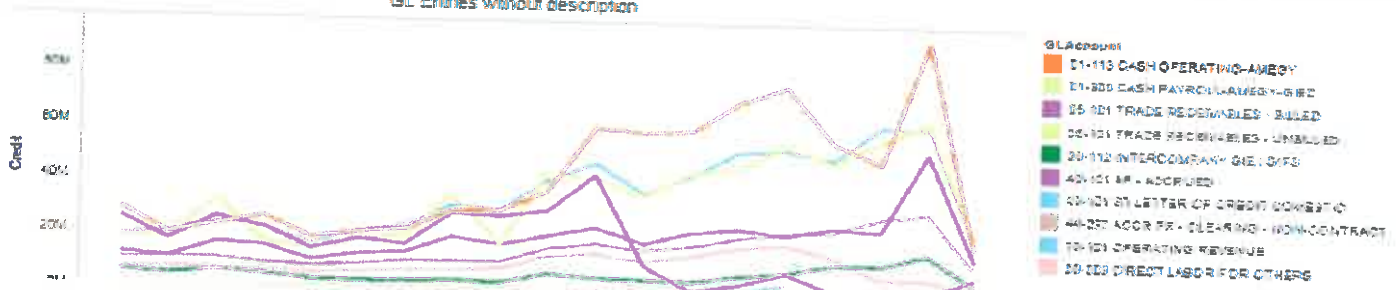


- ▶ **Tableau Software.** In addition to including a Certified Fraud Examiner (CFE) on the engagement, BDO will utilize Tableau software assist with performing data analytics and data visualization analysis. We will create visualizations and tables that permit the audit team to review large populations of data for: outliers (i.e. ages over 100, years of service over 50) or trends outside expectations (layover of current year benefit payments with prior year benefit payments show growth in an inconsistent retirement month such as March). Here are two example screen shots of Tableau data analytics: 

Payroll Trend for Assistant Chief Inspector



GL Entries without description





WHY BDO'S APPROACH IS DISTINCTIVE

- ▶ **Technologically advanced.** BDO commits substantial "R&D" resources each year to develop and improve our audit methodology to equip our BDO engagement team with the latest technology possible. For example, our audit methodology employs proprietary software and our audit workpapers are fully networked and encrypted. This allows multi-location engagement teams to collaborate in real time while maintaining our high standards of security and confidentiality of your data.
- ▶ **Scalable.** Every business we audit is unique, and obtaining a strong understanding of your business is essential to tailoring our services to your organization's unique risks and business needs, and avoiding a "one size fits all" approach. Our audit methodology has been specifically designed to be flexible and scalable so that our engagement team can incorporate its understanding of your business into the audit approach to appropriately size our efforts to your operations.
- ▶ **Environmentally friendly.** Our networked electronic audit platform significantly reduces BDO's carbon footprint by reducing travel, work paper storage and transportation costs.
- ▶ **Early and Continuous Senior Involvement.** Our professional staff to management ratio is lower than our major competitors, enabling more time for directors to be actively involved in the audit. Your audit leadership has considerable business and audit experience, and BDO believes the engagement leaders should be actively involved throughout the audit process in hands-on manner. Our audit methodology has been specifically designed to facilitate this level of involvement.
- ▶ **Effective communications.** Effective listening and regular, proactive two-way communication throughout our audit process is an essential cornerstone of our audit quality and superior client service. This focus on communication allows your BDO audit team to gather information necessary to perform the audit and keep you up-to-date on the status of our services so that you can provide timely input and evaluate whether our services meet your high expectations.
- ▶ **Project management.** During audit fieldwork, we will provide CPRB weekly status report updates highlighting our accomplishments for the week and our goals for the following week.

OVERVIEW OF FINANCIAL AUDIT APPROACH

The objective is to audit CPRB financial statements in accordance with auditing standards generally accepted in the United States as set forth by the American Institute of Certified Public Accountants and *Government Auditing Standards*.

To accomplish that objective and address the nature, scope, timing, resources, and deliverables BDO will segment the audit into six components:

Scoping. This step frames the overall audit. It involves determining materiality to identify which financial statement areas are to be part of the audit and which items may be clearly immaterial to the overall financial statements, the extent of specialist involvement, audit timelines, communicating with and reviewing work papers of the prior auditor, and documenting independence.

Identifying and Assessing Risk. This step reveals the areas in which to focus the audit effort. It involves obtaining an understanding of the entity and its control environment using both the COSO and Green Book framework. Procedures include reviewing key documents and agreements, evaluating management's experts and service providers (actuaries, investment custodians, etc.), and performing 'walkthroughs' of each transaction cycle process (to identify the key controls in place to prevent or detect errors—or the lack thereof). Using that information, we assess risks (normal, significant/high, or fraud) of 'what could go wrong' in each audit area and related financial statement assertion or compliance requirement, ensuring extra focus on areas where errors are most likely to occur.

Design Audit Response. This step outlines the procedures to be performed during the course of the audit. It involves designing audit plans specifically tailored to address the risks identified in the preceding step in addition to audit steps required by professional auditing standards. Additionally, we will perform any additional steps requested by those charged with governance in our planning meeting and a few new or non-traditional procedures each year to ensure unpredictability in our approach.

Obtain Audit Evidence. This step provides the support for the numbers and disclosures in the financial statements as well as compliance with applicable requirements. It involves carrying out the audit plan procedures (confirming, vouching, tracing, etc.) as designed above to obtain sufficient evidence to ensure financials are free of material misstatements and the risk of material noncompliance is low. For CPRB, we anticipate obtaining evidence most effectively by assigning personnel in specialty focus areas of investments, government reporting, and information technology. We will also have to visit various employer locations to obtain this evidence (i.e. census testing).

Form Opinion. This step summarizes the work performed to opine on the financial statements. It involves evaluating whether we have sufficient evidence from procedures above to conclude that the financial statements are free from material misstatement and that there is no material non-compliance. This includes consideration of the effect of any misstatements or noncompliance identified during the audit arising from error or fraud, and need for any additional audit procedures. We also summarize any internal control recommendations, instances of non-compliance, or other findings to develop the management letter.

Reporting. This step ensures the proper form and content of deliverables to constituents, investors, management, and those charged with governance. It involves reviewing the draft CAFR to ensure compliance with GASB pronouncements and GFOA guidelines. At this step, we also present "Audit Wrap-up" results to management and those charged with governance which highlights key audit areas, any adjustments (corrected or uncorrected), any findings and recommendations, and other required communications. Upon acceptance of draft financials, BDO provides its audit reports for inclusion in the final CAFR and stand alone financial statements.

DESCRIPTION OF FINANCIAL AUDIT APPROACH

SCOPING & IDENTIFYING AND ASSESSING RISK

The tasks in this phase will enable us to gain an understanding of the financial systems and to tailor the audit to CPRB needs. The planning phase includes performing the following functions:

Meet with Key Members of the CPRB Management

It is our policy to hold an initial planning meeting with key members of management. The agenda will include, but will not be limited to, discussion of the topics below. This planning meeting will help to establish priorities and provide proper initial direction up front.

- ▶ Initial audit concerns
- ▶ Report requirements and deadlines
- ▶ Initial audit approach and dates
- ▶ Assistance by CPRB personnel
- ▶ Nature and types of documents and/or accounting records maintained

Communicate with Predecessor Auditors

Upon assignment of the audit to BDO, we will obtain permission from CPRB to communicate with the predecessor auditors, which is necessary to comply with the requirements of substantiating opening balances as required under generally accepted auditing standards. Gibbons & Kawash, the prior auditors, are a BDO Alliance firm whom has consulted with BDO's governmental group for the CPRB project in the past. They have indicated that if BDO were to be awarded the contract, they would share all working papers and previous risk assessments to make the transition as smooth as possible.

Document our Understanding of the Operating Environment and Internal Controls

The first step we perform in approaching the audit of any reporting entity assigned to us is to develop a full understanding of the objectives and operations of the entity.

This understanding will be obtained through discussions with management and reading of pertinent background information.

The information and/or documents that we will request will include, but will not be limited to, the following:

- ▶ Organizational structure of the reporting entities
- ▶ Operating budgets including budget restrictions
- ▶ A description of financial and other information systems
- ▶ Provisions of laws and regulations
- ▶ Locations of operations

This information will enable us to identify significant cycles and accounting applications, evaluate the control environment, and identify significant provisions of laws and regulations affecting the reporting entity.

Document our Understanding of the Financial and Operational Systems

We will obtain an understanding of the accounting systems and information systems used for processing significant financial statement items, and the related internal accounting controls sufficient to determine our audit approach.

A preliminary understanding as to how transactions are recorded and processed will be accomplished when the audit strategy is finalized. The degree of understanding and extent of further documentation required to enable subsequent audit procedures to be carried out depends on the audit strategy adopted.

DESCRIPTION OF FINANCIAL AUDIT APPROACH

Perform Preliminary Analytical Review

We will perform a preliminary analytical review to gain insight into operating results by comparing the financial statement amounts between the current and preceding periods and also the current year amounts to budgeted and benchmark results. We will be looking for unusual variances.

Consider Engagement Risk

We will consider account balances or classes of transactions that could result in an error to the financial statements without being detected. Devoting attention to such accounts or classes of transactions, we ensure they receive proper audit coverage. This lessens the possibility that the financial statements might be misleading.

Make Preliminary Judgment about Materiality

We will make a preliminary judgment about materiality by assessing a dollar amount which, in our judgment, would render the reporting entity's financial statements misleading should errors in the financial statements exceed this amount. This will guide us during the audit process when proposing adjustments or selecting items for testing.

Information Systems

The IS Assurance audit team will be responsible for assessing and evaluating CPRB financial management and reporting systems, including the various modules that have been implemented, the payroll systems, and the other accounting and data processing systems. Their procedures will include documenting and testing the systems' general and application controls to determine the integrity and reliability of the financial data. Our suite of general and application controls will be evaluated at various levels, including the operating systems, application systems, database systems, and network levels. Requirements, regulations, and expectations within Cyber and Information Security are changing, growing and intensifying across public sectors. Adversaries and actors are more complex than ever and on an exponential path of sophistication. As part of the audit planning/risk assessment process, BDO's auditors are required to gain an understanding of the information systems control environment and any risks related to that environment.

Assess Control Risk

We will assess control risk for account balances or classes of transactions at either below maximum or at maximum based upon our understanding of the accounting system and the control environment. Assessment of risks involves determining procedures in effect to prevent or detect misstatements in the financial statements.

Internal Controls

We document our understanding of internal controls through observation, inquiry, inspection, and performance of specific procedures. We will ask your staff to fill out questionnaires and prepare narratives prior to our arrival for interim procedures. We will evaluate controls and, among others, perform transaction tests of payroll, procurement, cash disbursements, and cash receipts. Based on our assessment of the control environment, we will determine if there are audit assertions where we can assess control risk at less than maximum in order to perform audit tasks more effectively. Documentation of components of internal control based on COSO and Green Book frameworks will be used, with any lack of control evaluated for audit response and communication to CPRB.

Identify Significant Areas / Develop Tailored Tests

Based on the understanding we acquire during our documentation of the above procedures, we will determine areas that might significantly affect the timing and completion of the audit.

We will review such areas in depth to obtain an early understanding and resolution of any problems that might impede our progress. Upon identifying the significant audit areas and compliance requirements, we will develop tailored audit programs. The audit programs will reflect the identified areas of concern and will guide our work in such a manner as to help ensure that each area is afforded the proper degree of audit consideration. At the conclusion of the planning phase, we will prepare the following documents relevant to the information obtained or gathered during the process:

- ▶ Client Profile
- ▶ General and Account Risk Analysis
- ▶ Cycle Matrix
- ▶ System narratives and/or flowcharts
- ▶ Tailored audit programs

DESCRIPTION OF FINANCIAL AUDIT APPROACH

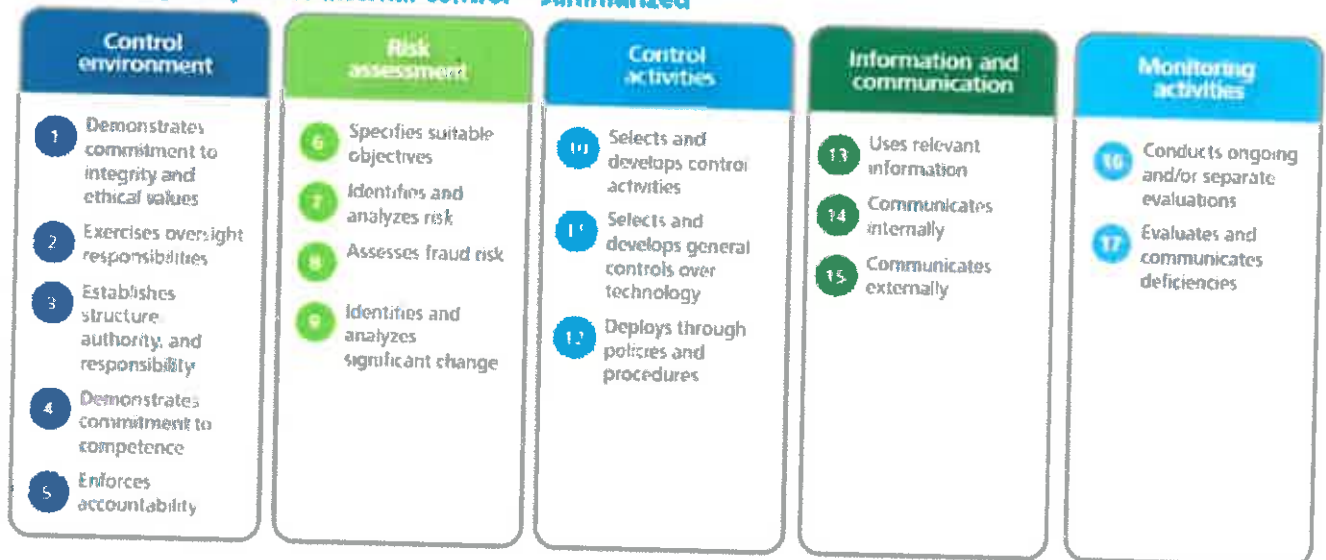
EVALUATION OF AND RELIANCE UPON INTERNAL CONTROLS

Internal control assessments for significant business processes and the IT environment is a specialty of the IS Assurance practice. Our internal control audit methodology is based on the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), taken from the perspective of business and operational risks. Internal control evaluations over business processes focus on the “what can go wrong scenarios” and will evaluate manual and automated control activities, while evaluating each transaction stream from all points of potential misstatement.

Furthermore, we can identify procedural issues and provide insight for process optimization. Our methodology will also include base line testing of system generated reports for completeness and accuracy.

Successful application of the 17 underlying COSO principles introduced in the 2014 Green Book can help a federal entity achieve effective internal control and, in turn, obtain reasonable assurance that objectives of that entity are achieved.

COSO's 17 principles of internal control – summarized



See an example workplan that the engagement team plans to utilize on Pages 44-58.

DESCRIPTION OF FINANCIAL AUDIT APPROACH

ENGAGEMENT AUDITS AND MANAGEMENT

Design Sampling Approach

In the testing phase, we design our sampling methodology using selective testing. Audits conducted in accordance with generally accepted auditing standards, *Generally Accepted Government Auditing Standards*, and attestation standards include the concept of selective testing of data to be examined, thus involving judgment on the part of the auditor as to the number of transactions to be examined and the areas to be tested. The concept of audit sampling refers to the application of audit procedures to less than 100% of the items within an entity's account balances or classes of transactions, for the purpose of reaching a conclusion about entire individual balances or classes of transactions.

The use of representative sampling will be an integral part of our audit approach. We use audit sampling when the objective is to project the results of the procedures to the entire population of items within an account balance or class of transactions. Our sampling approach provides for sample sizes large enough that any chance of departure from representations is small.

The following are examples of common statistical sampling techniques we utilize for audits and other engagements:

- ▶ **Attribute Sampling:** A sampling methodology utilized when compliance tests are being performed. Sample selection is generally based on computer generated random numbers.
- ▶ **Monetary Unit Sampling:** A sampling methodology utilized when substantive tests of balances are being performed. Sample selection is based on dollars and determining a computer generated interval to be sampled. This methodology provides for larger dollar items to have a proportionately larger probability of selection than smaller items.
- ▶ **Strata Sampling:** A sampling methodology similar to monetary unit sampling. The population is segregated into "like" categories of items and then sampled.

The determination of sample sizes will depend on several factors, including the reliance that can be placed on existing controls, the population size and make-up, routine or non-routine type of transactions, the number of significant items comprising the population, and the results of substantive analytical procedures. To the extent possible, we will use attribute sampling for tests of controls and compliance. This type of sampling will be effective for tests of payroll expenditures, non-payroll expenditures, and procurement. BDO uses its own sampling tables - based on guidance promulgated by the Auditing Standards Board of the AICPA - which are useful for estimating sample sizes when the size of the population is large (i.e., the population is comprised of 500 or more items, balances, or transactions) and the calculated sample size does not begin to approach a significant proportion of the population (i.e., greater than ten). In addition, a simple formula is provided to assist our auditors in estimating the sample size in near-zero or zero expected misstatement situations. This approach is valid only for attribute samples or probability proportional to size (PPS) samples.

To sample employers for the GASB 68 allocation schedules, BDO will rely on guidance from the AICPA Audit and Accounting Guide for State and Local Governments, Chapter 13 and estimate 45-50 employers per year will be selected on a rotating basis.

BDO also uses the *IDEA* software for sample selections. *IDEA* contains a number of sample size determination programs and is our preferred software for both non-statistical and statistical sample selection. The *IDEA* program also properly evaluates attributable sample results, as well as stratified random (using classical variables analysis) samples.

DESCRIPTION OF FINANCIAL AUDIT APPROACH

Perform Tests of Controls

In the planning phase, we identify significant accounting cycles and accounting applications and document control procedures.

We determine appropriate sample sizes using our sampling methodology and select sample items for testing to determine whether controls are functioning in accordance with the reporting entity's policies throughout the audit period. Additionally, we will follow up on the status of the implementation of prior year's recommendations contained in the management letter(s) issued by the predecessor auditor.

Perform Tests of Compliance

As applicable, we identify significant provisions of laws affecting the reporting entity and perform compliance tests to ensure that the reporting entity is operating in accordance with applicable laws and regulations. Some compliance tests are transaction based from which we select sample transactions for testing. We use inquiry and observation procedures to verify non-transaction based compliance features.

CPRB non-compliance with laws and regulations could materially affect the financial statements. We will discuss with management and legal counsel how they identify, comply, and monitor compliance in this area. We will also obtain an understanding of the laws and regulations that affect CPRB operations by researching and reviewing ordinances, statutes, related laws, governing body minutes, correspondence with regulatory authorities, federal legislation, annual appropriations bill, and debt instruments.

We will develop a document that lists all of the applicable laws and regulations, determine those that require testing, and perform the procedures. As mentioned previously, we will review the prior reports and management letter(s) noting any non-compliance and determine their current status.

Perform Substantive Tests

The substantive tests will include "substantive detail tests" and "substantive analytical procedures." For substantive detail tests, we will review details of account balances by inspecting underlying documentation and determining whether the balances are properly stated. Substantive analytical procedures will be used in every phase of the audit. Initially, we will use the procedures to perform comparison of data in documents and reports, fluctuation analyses to identify significant changes in information reported in prior periods, and to determine the variances and potential issues that could affect the nature, timing, and extent of our audit.

During the substantive phase of the audit, we will perform projected/expected to actual analyses of changes in fiduciary net position and perform various trend analyses of accounts to determine unusual or abnormal relationships and results that may require investigation and resolution.

DESCRIPTION OF FINANCIAL AUDIT APPROACH

When selecting and designing substantive tests, attention will be directed to specific audit objectives such as those included in the following table:

Financial Statement Assertion	Effect on the CPRB Audit
Completeness	All account balances and transactions that should be included in the financial information are included.
Accuracy	Recorded transactions and account balances are mathematically accurate, are based on correct amounts, have been classified in the proper accounts, and have been accurately summarized and recorded in the general ledger.
Existence	Recorded assets and liabilities exist as of the balance sheet date; recorded transactions have occurred and are not fictitious.
Cut-off	Transactions are recorded in the proper accounting period.
Valuation	Generally accepted accounting measurements and recognition principles are properly selected and applied.
Rights and Obligations	Recorded assets are rights of CPRB and recorded liabilities are obligations of CPRB.
Presentation and Disclosure	Financial information components are properly classified and described; appropriate disclosures are made.

We will also employ analytical procedures in the review of the financial information presented in the financial statements and as a quality control review tool. We will determine whether the explanations and corroborating evidence provide sufficient evidence for the desired level of substantive assurance. If we are unable to obtain a sufficient level of substantive assurance from the analytical procedures, we will perform additional procedures, such as tests of details and consider whether the difference represents a misstatement.

DESCRIPTION OF FINANCIAL AUDIT APPROACH

SUPPLEMENTAL RESOURCES AVAILABLE TO ASSIGNED PERSONNEL TO HELP FOSTER INNOVATIVE PROCEDURES

BDO commits significant resources to keep our Assurance professionals up-to-date on current and evolving accounting, reporting, and auditing developments. Our training includes monthly web-based programs covering current accounting and auditing topics. Managers and directors attend national conferences conducted by BDO's top technical personnel annually. In addition, BDO provides access to a wide range of resources to its professionals and clients worldwide, including those listed below.

PUBLICATIONS & TECHNICAL UPDATES	DESCRIPTION
Technical Research Tools	BDO uses Accounting Research Manager™ (ARM) as a primary source of insightful interpretations on GAAP, GAAS and Securities and Exchange Commission rules. ARM is updated daily and is considered to be one of the timeliest and most comprehensive online databases of analytical interpretations of accounting, auditing and SEC matters. Access to ARM, and a number of other research tools provide each professional the technical research capability to enable immediate response to client-specific technical issues.
What's New	A quick listing of new accounting and technical developments maintained and easily accessible on the firm's intranet website.
GASB, OMB, FASB, and SEC Flash Reports	Information about selected developments and emerging issues are immediately e-mailed to BDO professionals for timely communication to clients.
Assurance Comments	Developed by BDO's National Assurance Committee, this publication provides guidance on comprehensive and complex accounting and auditing matters and is immediately available on the BDO intranet website.
BDO KNOWS: Financial Reporting Letter	Provide more in depth discussions and practical guidance on technical matters affecting both public and private entities.

SUPPLEMENTAL RESOURCES RELATED TO COSO 2013 INTERNAL CONTROL FRAMEWORK

BDO has issued several Flash reports containing additional details regarding the 2013 Framework including practice aids, frequently asked questions (FAQs) and transition guidance:

- January 2014 - <http://www.bdo.com/download/3047>
- September 2013 - <http://www.bdo.com/download/2812>
- July 2013 - <http://www.bdo.com/download/2744>
- May 2013 - <http://www.bdo.com/download/2631>

Additionally, as part of our Board Matters webinar series, the following archived BDO webcasts are available at:

- May 2014 - COSO 2013 Framework - Preparing for Implementation - <http://www.bdo.com/acsense/Coso2013Framework/>
- September 2013 - COSO Internal Control Integrated Framework - <http://www.bdo.com/acsense/events/BoardMattersQ32013.aspx>

PROJECT MANAGEMENT - COMMUNICATION AND REPORTING

COMMUNICATION AND REPORTING DECISION-MAKING PROCESS

Decision-making at BDO is centered in the local office, and, most importantly, in the hands of our client service professionals. We recognized long ago that our clients need prompt decisive answers to their questions, and providing that kind of service requires strong people at the engagement management level. Your client service team is comprised of capable technical professionals in your industry, who have dealt with complex issues and who make it their business to respond timely to requests for assistance. The ability to make local decisions is supplemented by our readily available consulting resources and is balanced with our strong quality control program that helps ensure all significant decisions are reviewed and approved by the appropriate technical personnel.

Keith Hammond, engagement Director, will be the primary decision-maker for BDO on this engagement.

RESOLVING TECHNICAL ACCOUNTING AND REPORTING ISSUES

The need for and level of technical consultation within or outside our Firm depends upon the subject matter and the expertise and experience of the engagement team. Our primary objective is to provide the most technically correct guidance to our clients. We also recognize that it is important to our clients that the process be timely and cost effective. As such, significant efforts are made to help ensure the local engagement team has the expertise and experience necessary to serve the client based on its industry and complexity. Our process includes the necessary controls to help ensure the guidance is correct, yet does not overburden the engagement team or client with unnecessary time and effort. This process works very smoothly at BDO as our technical consultative personnel are often already involved in the engagement and are easily accessible by us and our clients.

Discussions regarding the application of technical pronouncements or the choice of accounting policies generally occur between the engagement team and client management. If further discussion is required, the BDO technical experts would be consulted.

REPORTING TO MANAGEMENT

We will communicate with management and those charged with governance on a regular basis and in a number of ways:

- ▶ Update meetings throughout the year, the regularity of which we will agree with you, but we suggest quarterly at a minimum.
- ▶ Audit meetings in person, on the phone or by email, as appropriate, to address any issues identified during the course of the audit.
- ▶ Annual audit closing meetings to report audit findings and resolve any outstanding issues.
- ▶ Ad hoc meetings and telephone conversations as necessary to discuss financial and strategic challenges as they arise.

COMMUNICATING WITH THE BOARD OF PENSION TRUSTEES

We will meet with the Board of Pension Trustees to understand any concerns they may have and to agree the style of reporting and communication required. We will strive for open lines of communication between the Board Chairperson and the leaders of your audit engagement team.

We will prepare a detailed report to those charged with governance after the completion of our audit fieldwork for discussion.

We would expect to issue two formal reports:

- ▶ A planning document issued prior to the start of the audit, outlining our strategy for the audit and identifying technical issues that may affect the year-end reporting.
- ▶ A document issued at the conclusion of the audit process addressing salient matters arising from the process, audit adjustments and key audit and accounting issues.

STORAGE AND TRANSMISSION OF INFORMATION

BDO has adopted security procedures in order to protect the confidentiality and integrity of BDO's systems and business information and data of BDO and its clients. BDO's procedures include administrative, technical, and physical safeguards appropriate to the size and complexity of its business as well as the nature and scope of its activities, and meeting applicable information technology system and information security requirements that apply for those engaged in providing services to government agencies. BDO's policies are updated and revised as necessary to accommodate changing regulatory requirements, industry standards, business conditions, and an ever-changing technology landscape.

BDO data owners are tasked with monitoring the integrity and use of the data for which they are responsible. Procedures are in place with business lines to limit data stored on workstations and removable media sources. When tightly controlled data access, transport, or processing is required, BDO utilizes virtual desktop technology to exercise rigorous control of client data.

Through policy and training, transmission of protected information (i.e., PHI pursuant to HIPAA, social security numbers) is not transmitted via email. To the extent that such information is required to be transmitted electronically to or from a client, BDO utilizes its File Exchange tool which employs TLS encryption between the client and File Exchange Server. Files and other network traffic that leave the secured borders of BDO are subject to secure file transfer protocols and encryption. Secure FTP (SFTP), server-to-server TLS encryption of e-mail, and secure web-based access (HTTPS) for electronic submission of client data is employed when data enters or leaves BDO's network border.

BDO desktops and laptops have a standardized and hardened system image which provides for standard applications, hard drive data encryption, virus detection, and application firewall protection. In-place updates to this image are carried out consistently throughout BDO by means of a workstation management package. Laptop hard drives are encrypted via an algorithm. Encrypted files can only be decrypted with a valid Active Directory account or the master certificate password.

Through policy and training, BDO partners and employees are aware that unencrypted removable media is not to be used for storing or transferring client data. To support this policy, BDO workstations encrypt external media.

To the extent that clients provide BDO information on removable media, the data is promptly uploaded to BDO's network and/or document management systems and the removable data media is either returned to the client or destroyed.

At present, BDO does not anticipate transmitting client data specific to this engagement outside the borders of the United States and its territories.

STAFFING APPROACH

Overview

Success begins and ends with the engagement team and its management. Providing our clients with the highest level of professional service and ensuring their satisfaction with our performance is among our primary objectives. Our ability to select the right team of professionals to serve our clients has been a critical element of our past success.

We recognize the complexity that surrounds CPRB operations and have developed our plan for conducting the services accordingly based on our review of the RFP documents, financial statements, and discussions with our Alliance firm Gibbons & Kawash representative, Bob Denyer. All our audits are led by experienced professionals who are heavily involved in the engagement and staffed by professionals with the appropriate skill level and industry knowledge matched to our client's operations and including Gibbons & Kawash professionals as part of our team will make the transition to a new audit firm as smooth as possible.

The BDO Team prides itself on its reputation for a hands-on, service-oriented business philosophy and demonstrated commitment to quality, reliability, and responsiveness to client needs. Our philosophy is to provide CPRB with a business advisor who is available year-round to assist you and our approach emphasizes a thorough process.

The team of professionals we have assembled has significant related experience with pension system. Utilizing professionals from the BDO Alliance firm Gibbons & Kawash will provide a team with history of CPRB's processes, operation, and history. Therefore, we will have a greater understanding the nature of the Plans and the systems and controls that support operations for the system as a control from 'Day 1'.

We plan on establishing a "central" team which will be the overall operational and focal team and will be involved in audit coordination, scheduling, assignments, communication, review, and reporting phases. The central team will review any past issues, conduct a risk assessment, and then assign various teams to oversee key elements of the engagement. We also plan on integrating into the team information systems specialists to review the systems in place. In all our teams, the key factor will be senior experienced professional will be leading the way throughout the engagement.

Your client service team is comprised of our technical professionals in public sector accounting, who have dealt with complex issues unique to the industry and who make it their business to respond to requests for assistance. Senior management will be actively involved in project planning, identifying key issues, developing strategy, and day-to-day project execution.

Engagement staff will consist of professionals with prior successful experience on similar projects that will be dedicated solely to the engagement during the project's critical phases. Our engagement work plan will be developed to ensure that each deadline is met. Reviews will be performed on-site during fieldwork so that any questions or issues can be addressed and resolved on a timely basis.



ADDITIONAL CONSIDERATIONS & AICPA GOVERNMENT AUDIT QUALITY CENTER

Implicit in BDO's statement of strategic direction is the responsibility to provide thought leadership to the organizations we serve. The depth and breadth of our practice allows us to make significant investments in learning programs and thought leadership. BDO's professionals write publications and other thought leadership on the hot topics that are important to the financial reporting of organizations in a variety of industries.

We view accounting assistance and similar services as an integral part of our assurance and advisory practices, and remain committed to providing our clients with the highest level of responsiveness and thought leadership. We have provided our clients with accounting assistance services in a number of areas.

Our focus and experience are demonstrated both in our relevant client work and our thought leadership. From proprietary research to timely reports and industry events, BDO is at the forefront of the public sector conversation.

Whether in the field with our clients, authoring articles on salient issues, speaking at industry conferences, or commenting on breaking news, our industry practices bring perspective on trends, opportunities, issues and regulations that frame our services and approach to address your needs and your industry.

Our professionals believe in the power of industry participation. Many of our public sector group professionals remain active in organizations and trade associations, present at industry conferences and seminars, and author articles or serve as resources for trade publications.

AICPA Government Audit Quality Center

We affirm that BDO USA, LLP is a member of the AICPA Government Audit Quality Center. Copies of our peer review letters can be found in the Mandatory Proposal.



TECHNICAL MATTERS AND CONSULTATIONS

BDO remains committed to working closely with key client financial and accounting personnel in identifying and resolving any issues that arise in a timely manner. Our preference is to address such matters prior to the commencement of the audit, and in best cases, prior to or immediately subsequent to the matter having occurred. We consider these events to be part of the audit, and thus, our clients do not receive a bill when they call with an accounting or technical matter. BDO will utilize the knowledge and experience of the entire engagement team as well as other members of our national practice as deemed necessary in rendering our opinion.

When issues arise that require consultations with our National Office, BDO will have immediate access to the highest level of those resources. Unlike many of our competitors, BDO's National Office technical resources are embedded within our practice offices, rather than being centralized. This has a number of distinct advantages including:

- ▶ Immediate and direct client interaction (allowing CPRB personnel to talk directly with our industry specialists),
- ▶ Faster response times to technical issues,
- ▶ Greater understanding of circumstances surrounding client transactions, and
- ▶ Thorough understanding of the clients business.

Also, we encourage our clients to participate in discussions with our National office. Our specialists' accessibility to clients and the engagement team contributes to superior responsiveness to technical questions...a tangible value to CPRB when time is of the essence.



QUALIFICATIONS AND EXPERIENCE





DIRECTOR, SUPERVISOR, AND STAFF QUALIFICATIONS AND EXPERIENCE

OVERVIEW

Success begins and ends with the engagement team and its management. Providing our clients with the highest level of professional service and ensuring their satisfaction with our performance is among our primary objectives. Our ability to select the right team of professionals to serve our clients has been a critical element of our past success.

We recognize the complexity that surrounds CPRB's operations and have developed our plan for conducting the services accordingly. All our audits are led by experienced directors who are heavily involved in the engagement and staffed by professionals with the appropriate skill level and industry knowledge matched to our client's operations.

The BDO Team prides itself on its reputation for a hands-on, service-oriented business philosophy and demonstrated commitment to quality, reliability, and responsiveness to client needs. Our philosophy is to provide CPRB with an advisor who is available year-round to assist you and our approach emphasizes a thorough process.

As indicated earlier, we pay close attention to establishing an engagement team that has the necessary experience. We have assembled such a team for the CPRB engagement and our proposed staffing is designed to exceed CPRB expectations.

The team of professionals we have assembled has significant experience with public sectors, state agencies, educational agencies, retirement plan systems, and compliance requirements. Therefore, we understand what you do and the systems and controls that support your operations.

We plan on establishing a "central" team which will be the overall operational and focal team and will be involved in CPRB audit coordination, scheduling, assignments, communication, review, and reporting phases. The central team will review any past issues, conduct a risk assessment, and then assign various teams to oversee key elements of the engagement. We also plan on integrating into the team information systems specialists to review the systems in place. In all our teams, the key factor will be that a director and manager will be leading the way throughout the engagement.

Your client service team is comprised of our technical professionals in public sector accounting, who have dealt with complex issues unique to the industry and who make it their business to respond to requests for assistance. Senior management will be actively involved in project planning, identifying key issues, developing strategy, and day-to-day project execution.

Engagement staff will consist of professionals with prior successful experience on similar projects that will be dedicated solely to the engagement during the project's critical phases. Our engagement work plan will be developed to ensure that each deadline is met. Reviews will be performed on-site during fieldwork so that any questions or issues can be addressed and resolved on a timely basis.

In addition to the following bios of key individuals, we will use associates with experience in auditing government entities and investments.

DIRECTOR, SUPERVISOR, AND STAFF QUALIFICATIONS AND EXPERIENCE

USE OF SPECIALISTS

It is anticipated that the audit team identified will perform a majority of the work given their strong government and pension audit background. However, as expected with a national firm, there is a vast array of specialized resources available to the audit team to bring niche expertise to the job when required. We anticipate utilizing the following:

- ▶ Use of our national SAS70/SOC1 review department, who summarize report information, findings, and client controls at a national level across all clients in order to provide expert analysis at a fraction of the time it would take for each audit team to perform the review. This would be utilized to understand the investment pricing services and custodial functions for service providers such as Northern Trust.
- ▶ IT auditors who can assist in evaluating IT general and application control structures, help identify audit impacts, and make recommendations for improvements. As part of these professionals, we are utilizing Craig Christie.
- ▶ If we were to encounter a situation where we were unable to obtain sufficient details of a certain alternative investment, auditors from our Specialty Finance / Private Equity industry group who have vast experience with auditing alternative investments can provide assistance in auditing fair values.

To support the audit of the CPRB financial statements, members of the IS Assurance group will assist financial auditors by providing an assessment of general control risks in the CPRB information systems environment. These risk assessments will enable financial auditors to understand the impact of specifically identified risks on their audit and the potential to place reliance on controls in the CPRB environment. The shift to a control reliance strategy can reduce the overall audit effort and improve the level of audit assurance.

Our IS Assurance group can also support the financial auditors by providing risk assessments and tests of computerized application controls in CPRB automated accounting systems. Tests of automated application controls include the use of Computer Assisted Audit Techniques (CAATs) such as test deck utilization, real-time data inquiry and analysis, or source code inspection. Like the general control risk assessments, these control related activities will enable financial auditors to perform tests of controls in automated (i.e., paperless) environments and potentially reduce less efficient audit procedures and spread audit procedures more effectively between interim and year-end work.

Our IS Assurance team members possess a variety of industry recognized credentials. Certifications that are associated with our team members include the Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), Certified Information Systems Security Professional (CISSP), Certified Information Security Manager (CISM), Certified Internal Controls Auditor (CICA), and Certified Fraud Examiner (CFE). Further, all of our IS Assurance team members are also responsible for audits of SEC-registered clients who are required to comply with the Sarbanes-Oxley Act of 2002. While we recognize that CPRB is not required to comply with the Act, we are poised to provide you constructive feedback for best practice recommendations based on that framework.

DIRECTOR, SUPERVISOR, AND STAFF QUALIFICATIONS AND EXPERIENCE

COMMITMENT TO QUALITY OF STAFF OVER THE TERM OF THE AGREEMENT

We believe there are significant benefits to BDO and to our clients in maintaining diversity and quality of staffing, and we do whatever we can to achieve that objective. The historic turnover of BDO as a national firm has been considerably lower than industry standards at less than 10%. Because of the benefits to both BDO and to our clients, we do not accept the theory that high turnover in our profession is inevitable.

We believe that our rates of turnover will continue to be lower than industry standards due to:

- ▶ Our focus on a better work-life balance for our professionals, which are aligned with enhancing recruitment and retention of our highly qualified personnel;
- ▶ Our lower staff to partner ratio, which facilitates greater interaction of staff and partners;
- ▶ Our high growth rate, which translates to greater career opportunities for our professionals;
- ▶ Our entrepreneurial culture, which allows us to be creative in tailoring career opportunities and compensation to individual needs; and
- ▶ Our distributed decision-making, which translates to empowering our professionals locally.

BDO is committed to the training mandate within the accounting profession to build and maintain the highest possible level of professional competence. As suggested, it serves that objective with defined technical and professional curricula, the development of annual learning plans, the sponsoring of a large number of training offerings at the local, regional, and national levels, and continuous evaluation and improvement efforts.

AFFIRMATIVE ACTION

BDO, USA, LLP is committed to promoting equal employment opportunities to all qualified applicants and staff members in every phase of employment without regard to race, color, age, gender, religion, national origin, citizenship, military status, marital status, sexual orientation or physical or mental disability.

Our engagement team includes minorities and females.

ENGAGEMENT MANAGEMENT ROLES - INCLUDING QUALITY CONTROL

RESPONSIBILITIES

Our performance on the CPRB audit will be led by experienced directors and staff who will be heavily involved in the engagement. Our staff will have the appropriate skill level and industry knowledge to perform the requirements in an exemplary manner. Prior engagements rendering financial statement audit services to governmental entities have given us substantial experience in engagement planning and execution.

Responsibilities of the Engagement Directors

The engagement partners will maintain an intimate knowledge of the engagement – its objectives, requirements, and processes – so that the management review and deliverables can be completed in a timely manner. They will perform the partner reviews and will be working actively with you and the engagement team to ensure the success of the engagement. They will also be available to assist the engagement team in resolving technical issues. A consulting director from Gibbons & Kawash will bring first hand experience to the group.

Responsibilities of the Quality Control Reviewer

The Quality Control Reviewer will ensure compliance of the audit with various applicable standards developed by the AICPA and *Government Auditing Standards* issued by the Government Accountability Office, and provide additional support throughout the engagement. If management review is determined deficient, the Quality Control Reviewer will consult with the engagement directors to determine how to correct the noted deficiency. The managers responsible for the fieldwork will correct the deficiency.

Responsibilities of the Managers

This group will assist the engagement directors by directly supervising the audit teams. These individuals will be primarily responsible for compliance with applicable regulations and applicable auditing standards. The directors and managers will perform on-site reviews, as well as office reviews. In addition, the directors and managers will ensure that the audit is completed promptly in accordance with the scheduled completion dates.

Responsibilities of the Seniors and Staff

Audit seniors and staff will have experience in performing audits of governmental and tax-exempt entities and internal control and compliance reviews. Audit seniors will also have the technical skills to perform any of the audit steps independently, as well as assist with conducting entrance and exit conferences. Both groups will be on-site daily to coordinate daily requests and oversee the teams, as applicable.



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Assurance Services

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RELEVANT EXPERIENCE

Keith is an Assurance Director and has been part of the BDO network since 2005. Keith's experience focus is audits of government and nonprofit entities as well as serving as a local office coordinator for employee benefit plan audits. Keith has provided numerous other agreed upon procedure and consulting services for a variety of entities including governments, municipal authorities, and nonprofit organizations.

Keith has been involved with all stages of planning, testing and evaluation during financial statement audits of local governments, including those with enterprise and pension funds. He has reviewed CAFR's for consistency with GASB disclosure standards. Keith has also planned and performed compliance audits for a variety of federal awards. In working with all his clients, Keith looks to provide suggestions for improvement in internal control and operational processes.

Example client experience for Keith includes his role as the Director on the Delaware Public Employees Retirement System, Sussex County, Delaware, Virgin Islands Water and Power Authority and Chester County Solid Waste Authority. Auditing situations encountered include pensions and OPEB plans, bond refunding, complex investment holdings, environmental remediation liabilities, utility purchase and sale contracts, as well as self-insurance liabilities.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Delaware Society of Certified Public Accountants

EDUCATION

B.S., Accounting, University of Richmond

CONTINUING PROFESSIONAL EDUCATION (LAST 2 YEARS)

2016 BDO NonProfit and Government Conference (Financial Reporting for Governments, GASB Update, Accounting for Pensions and OPEBs in the Government Environment, Accounting for Financial Instruments/Auditing Investments)

2015 AGA Dover Capital Chapter - 2nd Annual Professional Development Conference - Instructor (Pension Landscape: Recap of GASB 67 and GASB 68 Highlights - Accounting and Disclosure Issues, Fraud in State and Local Governments, Frequently Missed Government Accounting Issues and Disclosures, Uniform Circular Overview: Key Changes/New Audit Requirements/Cost Principles/Sub-recipient Monitoring/and Procurement, GASB 68 Challenges from the Actuarial Perspective: Logistical Issues, Assumptions and Funding Considerations for Pension Plans, The Municipal Bond Process and Related Issues

Focus on Audit Quality

Internal Controls and COSO 2013 Integrated Framework

P&L Testing Strategies (Instructor)

Complex Financial Instruments

2015 Leadership Conference- General Session, Audit Quality Matters, Investment Valuation

2014 AICPA Government A&A Conference - The Latest on Municipal Securities; Implementing GASB 65; The New World of GASB Pension Accounting; The Pension Puzzle: Critical Challenges for Plans, Employer Governments and Their Auditors in Implementing the New GASB Pension Standards



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Government Technical Lead

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RELEVANT EXPERIENCE

Pat has over 25 years of experience in public accounting and has worked extensively with townships, cities, counties, schools, and other governmental entities and pension plans, as well as various businesses and nonprofit organizations. Pat has significant expertise in *Government Auditing Standards*, federal programs and single audit compliance, auditing a variety of federal programs for different agencies.

Pat also has vast experience with transit authorities, public utilities, airports, convention/arena authorities, biosolids authorities, governmental pension plans and insurance pools, and various tax increment financing authorities.

Pat is the technical A & A lead for BDO's *National Public Sector Industry Group*. She recently ended her three year term on the AICPA's *State and Local Government Expert Panel*. During that time the Panel dealt with various issues related to GASB's new pension standards, issuing several alerts and whitepapers to help governments and auditors resolve issues. She was a member of the *Michigan Department of Education's (MDE) A-133 Referent Group* which annually reviews and updates the Michigan School Auditing Manual, and the *MDE GASB 68 Implementation Committee* for school districts. She also provided assistance to the Michigan Municipal Employees Retirement System with their GASB 68 Implementation Guide.

PROFESSIONAL AFFILIATIONS

AICPA State and Local Government Expert Panel
American Institute of Certified Public Accountants
Association of Government Accountants
Government Finance Officers Association

EDUCATION

B.B.A., Professional Accounting, University of Michigan

CONTINUING PROFESSIONAL EDUCATION (LAST 2 YEARS)

2016 BDO NonProfit and Government Conference (Financial Reporting for Governments, GASB Update, Accounting for Pensions and OPEBs in the Government Environment, Accounting for Financial Instruments/Auditing Investments)

2015 Non-Profit & Governmental Industry Conference - Government Focus on Key Risks Facing the Industry (Instructor), Revenue Recognition, Fraud - What to Look for in Today's Ever Changing Environment, Update on Audit Quality from the AICPA Government Audit Quality Center, GASB Accounting Update (Instructor)

GASB Pensions: Are you Ready for June 30, 2015 Audit Implementation?

Focus On Audit Quality

2014 Leadership Conference (What's New for Single Audits, Audit Quality Matters: A Frank Discussion)

BDO Independence Training Refresher Course for Assurance Professionals

Annual Government GAAP Update

Internal Controls and COSO 2013 Integrated Framework

Audit Quality and Busy Season Reminders



Craig Christie, CPA, CISA, CITP, PMP
Regional IS Assurance Director - BDO USA, LLP
IS Assurance Services

Telephone: 215-241-8969
Fax: 302-656-8024
Email: cchristie@bdo.com

RELEVANT EXPERIENCE

Craig is a Regional IS Assurance Director with over 20 years of experience in information systems and audit management. Craig has experience performing information technology audits, security reviews and internal audit service reviews. His experience spans commercial entities, nonprofit organizations, and government entities, including pension systems. He is responsible for servicing clients from an IS Assurance perspective within the Atlantic region.

Previously, Craig was a Director in the Systems and Process Assurance (SPA) group of a Big 4 accounting firm and a Senior IS Audit Director managing the Global internal IS audit group of a fortune 500 company. His experience includes Sarbanes Oxley 404 attestation and consulting related to application and IT controls for SEC clients and in internal audit, pre and post ERP implementation reviews, SAS 70 / SSAE16 reviews, IT security reviews and segregation of duties assessments. Craig was the Global Oracle ERP lead for the SPA group responsible for practice management, development of technical practice aids, creation and delivery of a training program, and creation of a tool to pull segregation of duties and configurations from client 11i and r12 environments.

Craig is a CPA, a Certified Information Systems Auditor, a Certified Project Manager and currently a member of the AICPA, ISACA and the Project Management Institute.

Craig recently completed several projects: involving oversight of the replacement of a custom developed human resource system with Oracle Human Capital Management system; an SSAE16 assessment of a property management company; and several cyber security reviews of banking institutions.

COMPUTER SKILLS

- ▶ Hardware: IBM Mainframes, AS/400
- ▶ Software: AIX, UNIX, OS/400, WINDOWS
- ▶ Applications: ERP Systems (SAP, Oracle, JDEdwards, Peoplesoft, HCM, etc.) Microsoft Great Plains

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Information Systems Audit and Control Association (ISACA) - Member
Project Management Institute

EDUCATION

M.B.A., American Graduate School of International Management
B.S.B.A in Accounting, Bucknell University

CONTINUING PROFESSIONAL EDUCATION (LAST 2 YEARS)

2015 BDO USA IS Assurance Conference - Automated Application Controls, Assurance Methodology and Use of APT, ITGC Findings and Addressing Them With the Engagement Team-Infrastructure and Cyber Security, Putting Proven BD Strategies into Practice, & Segregation of Duties

2015 BDO USA SOC Assurance Conference - SOC 2 Overview, SOC 1 Task Force Updates, Overview of SCOP Practice Plan, & Planning and Performing a SOC engagement.

ITGC Assessments/Working with IS Assurance
The Audit and Controls Conference

2015 National Leadership Conference



Brock Thomas, CPA
Manager - BDO USA, LLP
Assurance Services

Telephone : 302 468-3786
Fax : 302-656-8024
Email: bthomas@bdo.com

RELEVANT EXPERIENCE

Brock is an Assurance Manager with BDO in the Wilmington office. With over 9 years experience, he is responsible for managing and conducting financial and compliance audits for nonprofit and governmental units.

Brock has been involved with all stages of planning, testing, and evaluation during financial statement audits. He has played the lead role in assessing risk areas, developing expectations, evaluating relationships and presenting results and suggestions to management. Brock is committed to ensuring his clients' financial reporting complies with the latest reporting requirements.

Brock's work experience includes: Working with organizations in the governmental and not-for-profit community with multiple divisions and reporting units; expertise in compliance auditing of organizations receiving federal financial funding in accordance with OMB A-133; reviewing financial statements and ensuring proper disclosures are included; and presenting audit reports and management letters to boards of directors and audit committees.

Brock has worked with a variety of clients including the National Railroad Passenger Corporation (Amtrak), Sussex County Delaware, Port of Wilmington, Government of the District of Columbia, Easter Seals - Delaware & Maryland Eastern Shore, and various departments of the State of Delaware.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

EDUCATION

B.S., Accounting, University of Delaware

CONTINUING PROFESSIONAL EDUCATION (LAST 2 YEARS)

Auditing Going Concern

Related Party Transaction

Ethic Standards for Delaware CPAs

Single Audit Fundamentals: Basic Background and Understanding Major Program Determination

2015 Non-Profit & Governmental Industry Conference - (Single Audit - Indirect Costs, Super Circular - How Have Compliance Requirements Changed, Using APT in the Single Audit Environment, Revenue Recognition)

Focus On Audit Quality

2015 National Conference (What's New for Single Audits, BDO Audit Approach Workshop, Applying Professional Skepticism)

P&L Testing Strategies

Audit Quality and Busy Season Reminders

ITGC Assessments/Working with IS Assurance

Internal Controls and COSO 2013 Integrated Framework

Audit Planning - Scoping, Identify & Assess Risk, and Design Audit Response (Instructor)

Complex Financial Instruments



Andrew Quynn, CPA

*Senior - BDO USA, LLP
Assurance Services*

Telephone : 302-368-3815
Fax : 302-656-8024
Email: aquynn@bdo.com

RELEVANT EXPERIENCE

Andrew has served as auditor-in-charge on a wide variety of public sector organizations, including local governments, school systems, nonprofits, retirement plans, and housing authorities. He has several years of experience in GASB audits and has performed compliance auditing for organizations receiving federal funding from many different agencies in accordance with OMB Circular A-133.

Andrew has been involved with all stages of planning, testing and evaluation during financial statement audits. He has played a lead role in assessing risk areas, developing expectations, evaluating internal controls, providing recommendations to management and preparing financial statements and required disclosure to ensure that they are in accordance with generally accepted accounting principles and other regulatory requirements.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

EDUCATION

B.S., Accounting, Shippensburg University

CONTINUING PROFESSIONAL EDUCATION (LAST 18 MONTHS)

- GASB Statement No. 54: Fund Balance Reporting and Governmental Fund
- Impairment of Long-Lived Assets and Revenue
- OMB Circular A-133: The Single Audit
- Revenue Recognition Transition Resource Group
- Accuracy and Completeness of Service Center Reports and Common IT Findings
- GAO Standards Yellow Book Financial Institutions
- Auditing Going Concern
- Related Party Transactions
- Update on Nonprofit Audit Quality
- Government-Group Audit and Materiality
- Government-Pension Accounts
- Fraud in the NFP Environment
- Single Audit-Auditors Responsibility Under the Super Circular
- Government-GASB Accounting Update
- Government-Focus on Key Risks Facing the Industry
- Revenue Recognition for NFPs
- Intro and State of the Nonprofit and Education, Governmental and Healthcare Industry Group
- The Changing Environment of the NFP Industry
- Asset Management and Segment
- Focus on Audit Quality
- 2015 EBP Update Parts I, II, III
- NFP Audit and Accounting Update



Robert R. Denyer, CPA
*Consulting Director - Gibbons & Kawash
Assurance Services*

Telephone : 304-345-8400
Fax : 304-345-8451
Email: rdenyer@gandkcpas.com

RELEVANT EXPERIENCE

Bob has more than 35 years of experience in providing audit, tax, and consulting services to public sector entities, including state agencies, local governments, nonprofit organizations and retirement plans. His in-depth governmental industry knowledge and experience includes over 15 years experience auditing government defined benefit retirement plans and defined contribution plans. He has extensive government financial reporting experience and has assisted governmental entities with over 40 successful CAFR submissions to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting. He led the team that assisted the CPRB with the initial preparation and submission of its CAFR to the GFOA, and which successfully received the Certificate of Achievement for Excellence in Financial Reporting. He has consulted extensively with government retirement plans and entities regarding implementation of GASB 67 and 68, employee benefit plan issues, and internal control and operational matters.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
West Virginia Society of CPAs
Charleston Chapter of the West Virginia Society of CPAs
South Charleston Rotary Club

EDUCATION

B.S. Business Administration, West Virginia University

CONTINUING PROFESSIONAL EDUCATION (LAST 2 YEARS)

Bob is in compliance with all applicable CPE requirements.



Anthony Carpenter, CPA
*Senior Manager - Gibbons & Kawash
Assurance Services*

Telephone : 304-345-8400
Fax : 304-345-8451
Email: acarpenter@gandkcpas.com

RELEVANT EXPERIENCE

Anthony has nine years of professional experience providing audit, tax, and consulting services to state and local governmental agencies, and state government retirement plans. In addition, he serves numerous private sector retirement plans. He has managed the audits of the Agency's retirement plans for the past four years. Anthony also has experience assisting entities with preparation of CAFR's submitted to the GFOA under the Certificate of Achievement program. His service to public sector entities including West Virginia's *Consolidated Public Retirement Board, Board of Treasury investments, Municipal Pensions Oversight Board, and Lottery Commission.*

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
West Virginia Society of CPAs
Charleston Chapter of the West Virginia Society of CPAs

EDUCATION

B.S. Business Administration, West Virginia State University

CONTINUING PROFESSIONAL EDUCATION (LAST 2 YEARS)

Anthony is in compliance with all applicable CPE requirements.



Staunton Gorrell, CPA

*Senior- Gibbons & Kawash
Assurance Services*

Telephone : 304-345-8400
Fax : 304-345-8451
Email: sgorrell@gandkcpas.com

RELEVANT 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 AFFILIATIONS

American Institute of Certified Public Accountants
West Virginia Society of CPAs

EDUCATION

B.B.A. Finance, James Madison University

CONTINUING PROFESSIONAL EDUCATION (LAST 2 YEARS)

Staunton is in compliance with all applicable CPE requirements.



Josh Harner

*Associate - Gibbons & Kawash
Assurance Services*

Telephone : 304-345-8400
Fax : 304-345-8451
Email: jharner@gandkcpas.com

RELEVANT EXPERIENCE

Josh has two years of experience providing audit, tax, and consulting services to numerous local governments, and not-for-profit organizations. His service to governmental entities includes the following:

- West Virginia Alcohol Beverage Control Administration
- West Virginia Board of Treasury Investments
- West Virginia Consolidated Public Retirement Board
- West Virginia Infrastructure and Jobs Development Council
- West Virginia Municipal Pensions Oversight Board

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
West Virginia Society of CPAs

EDUCATION

M.B.A., Liberty University
B.A. Business, Tennessee Temple University

CONTINUING PROFESSIONAL EDUCATION (LAST 2 YEARS)

Josh is in compliance with all applicable CPE requirements.



INDEPENDENCE, LICENCES, PEER REVIEW AND INSURANCE



INDEPENDENCE

BDO USA, LLP is independent of the State of West Virginia and CPRB as defined by engagement standards in the U.S. Government Accountability Office's *Government Auditing Standards*.

BDO believes that independence is the cornerstone of our profession. It is the fundamental principle from which reliability of our audit and other assurance reports to third parties is based. The integrity and credibility of the U.S. financial reporting process depends on BDO and the rest of the profession complying with the independence rules. BDO maintains strict compliance with independence and conflict-of-interest rules promulgated by the AICPA Code of Professional Conduct and, where applicable, other rule making and standard-setting bodies such as the SEC, PCAOB, the Independence Standards Board (ISB) and the Department of Labor (DOL).

BDO policy requires that all professionals must be independent in both fact and appearance when providing auditing and other attestation services. Specific to the firm and your engagement team, BDO adheres to the following policies and procedures to ensure independence as defined by the SEC, PCAOB, the American Institute of CPAs, State Regulatory Bodies, and other federal regulators:

FIRM WIDE INDEPENDENCE PROCEDURES

- ▶ Our Quality Control Manual relating to independence is readily accessible to all professionals on our firm's Intranet.
- ▶ Independence CPE is required of all professional employees.
- ▶ Annual confirmation of independence is required of all professional employees.

- ▶ On a sample basis, we test the professionals' compliance with the independence rules annually.
- ▶ A list of restricted entities is included on our Firm's Intranet and is updated monthly. Professionals are required to check this list prior to purchasing any securities of publicly held companies.
- ▶ Independence guidance is provided to all professionals throughout the year.
- ▶ Firm management is committed to maintaining the highest level of compliance with the rules and sets a strong "Tone at the Top" environment.
- ▶ Violations of the rules or Firm policies, which are rare, are dealt with immediately.

ENGAGEMENT SPECIFIC INDEPENDENCE PROCEDURES

- ▶ All individual engagement team members, from all BDO business lines, must sign a statement indicating independence from the client, prior to the start of each year's audit.
- ▶ As part of the planning process, the Engagement Director must sign an affirmation stating there are no violations of scope of services requirements.
- ▶ Similarly, an affirmation is required from all participating locations around the world stating independence from financial interests and that there are no violations of scope of services requirements.

The firm has no professional relationships involving CPRB within the last 5 years. Additionally, there is no conflict of interest with the CPRB for this engagement.

BDO will immediately provide written notice and seek approval from CPRB with regards to any professional relationships with the State of West Virginia and related entities before they are entered into during the contract period.



LICENSE TO PRACTICE AND CPA LICENSES

BDO USA, LLP and our Alliance firm Gibbons & Kawash are properly licensed to practice accounting in the State of West Virginia. Team members will either be licensed in the State or have professional reciprocity.



WEST VIRGINIA BOARD OF ACCOUNTANCY

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License Verification System

Firm Name: BDO USA LLP
Address: 770 KENMOOR SE STE 300
City: GRAND RAPIDS
State: MI
Zip: 49456
Permit Number: F0269
Effective Date: 7/1/2016
Current Status: Active
Expiration Date: 6/30/2017

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License Verification System

Firm Name: GIBBONS & KAWASH CPAS
Address: 707 VIRGINIA ST E STE 300
City: CHARLESTON
State: WV
Zip: 25301
Permit Number: F0152
Effective Date: 7/1/2016
Current Status: Active
Expiration Date: 6/30/2017

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PEER REVIEW & SUSPENSION AND DEBARMENT

The quality of our work is key to our success and we have made a number of investments to ensure our professional services are performed to a high level of quality in accordance with BDO's policies and applicable professional and regulatory standards.

INTERNAL QUALITY ASSURANCE PROCEDURES

In order to protect our profession as a recognized and competent international accounting and consulting organization and to ensure all clients are well served, the BDO network abides by the standards established by the various technical committees of BDO. For the purpose of ensuring that there is compliance with these standards, an International Quality Assurance Review Program is in place.

The International Quality Assurance Review Program provides for an on-site inspection of the procedures, practices and audit files of Member Firms by inspection teams from other Member Firms. These inspections are performed on a cyclical basis ensuring that each Member Firm is inspected at least once every three years. Member Firms whose standards are considered by the inspecting directors to be in need of improvement will be reviewed more frequently, and are required to implement specific action steps to ensure their performance is raised to the necessary level.

BDO QUALITY ASSURANCE PROCEDURES

We have a number of mechanisms in place to ensure that our professional services are performed to a high level of quality in accordance with BDO's policies and applicable professional and regulatory standards. These mechanisms include:

- ▶ **Internal reviews** – all technical work is reviewed by a director and/or a senior technical manager to ensure work is performed and delivered to standards consistent with all relevant professional standards, and complies fully with appropriate regulatory and legislative requirements.
- ▶ **Staff continuity planning** – we understand the benefits to be gained both for our client and for our internal staff in maintaining stable project teams. To this end we build continuity planning into our general business planning and transition planning when necessary. This promotes continuity wherever possible and ensures seamless service.
- ▶ **Internal quality reviews** – conducted annually on certain assignments by experienced independent directors and managers to assess whether the services were performed to a high level of quality in accordance with BDO's policies and applicable professional and regulatory standards.
- ▶ **External reviews** – BDO is subject to periodic AICPA Independent Peer Reviews. Additionally, we are subject to an annual PCAOB inspection. Our most recent inspection results are available upon request.

SUSPENSION AND DEBARMENT

BDO USA, LLP and BDO Alliance Firm Gibbons & Kawash ave not been suspended or debarred from performing government audits or from other governmental activity. BDO USA, LLP was subject to desk reviews by government authorities during the past three years. There were no disciplinary actions taken, nor are there any pending disciplinary actions as a result of these reviews.

PEER REVIEW REPORT



Baker Tilly Vachow Knause LLP
775 S Sixth St, Ste 2100
Minneapolis, MN 55402-3061
tel: 612 876-1900
fax: 612 238 8900
btkerc@com

SYSTEM REVIEW REPORT

To the Partners of BDO USA, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BDO USA, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 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*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers and examinations of service organizations (Service Organization Control (SOC) 1 and 2 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of BDO USA, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 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. BDO USA, LLP has received a peer review rating of pass.

Baker Tilly Vachow Knause LLP

Minneapolis, Minnesota
December 2, 2015



As a Firm in the Accounting Profession, We are Committed to the Highest Quality of Service

PEER REVIEW REPORT



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

December 8, 2015

Wayne Berson
BDO USA, LLP
One Prudential Plaza
130 E Randolph St
Chicago, IL 60601

Dear Mr. Berson:

It is my pleasure to notify you that on December 8, 2015 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is September 30, 2018. This is the date by which all review documents should be completed and submitted to the administering entity.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry Gray".

Larry Gray
Chair, National Peer Review Committee
nprc@aicpa.org 919.402.4502

cc: Jeffrey John Gendreau; John J Lucas

Firm Number: 10063586

Review Number 372694

Letter ID: 1040875A

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

A clean peer review report is also available for our BDO Alliance firm Gibbons & Kawash upon request

INSURANCE

We have professional liability that meets the minimum \$1,000,000 requirement outlined in the RFP. Upon acceptance, we would be happy to submit a certificate of insurance listing the State of West Virginia.



REQUIRED FORMS

DESIGNATED CONTACT: Vendor appoints the individual identified in this Section as the Contract Administrator and the initial point of contact for matters relating to this Contract.

BDO USA, LLP
(Name, Title)
Keith Hammond, Assurance Director
(Printed Name and Title)
4250 Lancaster Pike, Suite 120 Wilmington, DE 19805
(Address)
302-469-3771 / 302-656-8024
(Phone Number) / (Fax Number)
khammond@bdo.com
(email address)

CERTIFICATION AND SIGNATURE: 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.

BDO USA, LLP
(Company)
 Keith Hammond, Assurance Director
(Authorized Signature) (Representative Name, Title)
Keith Hammond, Assurance Director
(Printed Name and Title of Authorized Representative)
9/28/2016
(Date)
302-468-3771 / 302-656-8024
(Phone Number) (Fax Number)

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: BDO USA LLP
Authorized Signature: [Signature] Date: 9/27/16

State of Delaware

County of New Castle to-wit

Taken, subscribed and sworn to before me this 27 day of September, 2016

My Commission expires June 30, 2017

AFFIX



NOTARY PUBLIC [Signature]

Purchasing Affidavit (Revised 08/01/2015)

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.: CPR1700000003

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

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

BDO USA, LLP

Company

[Handwritten Signature]

Authorized Signature

9/27/16

Date

NOTE: This addendum acknowledgment should be submitted with the bid to expedite document processing.
Revised 6/5/2012

**Exhibit A
Pricing Page**

<u>Description</u>	<u>Quantity</u>	<u>Unit Cost</u>	<u>Extended Cos</u>
Government Auditing Services (1st Year)	1	\$ 305,000	\$ 305.00
FARS Related Procedures per Section 4.1.5 (1st Year)	1	\$ 5,000	\$ 5.00
Government Auditing Services (2nd Year Optional Renewal)	1	\$ 314,500	\$ 314.50
FARS Related Procedures per Section 4.1.5 (2nd Year Optional Renewal)	1	\$ 5,500	\$ 5.50
Government Auditing Services (3rd Year Optional Renewal)	1	\$ 324,000	\$ 324.00
FARS Related Procedures per Section 4.1.5 (3rd Year Optional Renewal)	1	\$ 6,000	\$ 6.00
Government Auditing Services (4th Year Optional Renewal)	1	\$ 333,500	\$ 333.50
FARS Related Procedures per Section 4.1.5 (4th Year Optional Renewal)	1	\$ 6,500	\$ 6.50

Below are the estimated hourly rates for additional work listed in Section 4.1.8 of the specifications. Additional work will need prior approval and the set number of hours needed will be added to the contract via a formal change order through the WV Purchasing Division only.

Management and Business Professional Services (Director hourly rate)	50	\$ 275	\$ 13.75
Management and Business Professional Services (Manager hourly rate)	50	\$ 185	\$ 9.25
Management and Business Professional Services (Seniors hourly rate)	75	\$ 125	\$ 9.37
Management and Business Professional Services (Staff hourly rate)	75	\$ 100	\$ 7.50
Management and Business Professional Services (Clerical hourly rate)	100	\$ 50	\$ 5.00
Hourly quantities are estimates only for evaluation purposes			
TOTAL BID AMOUNT			\$ 1,344.87

Vendor Information

Name:	BDO USA, LLP c/o Keith Hammond, Director		
Address:	4250 Lancaster Pike, Suite 120		
	Wilmington, DE 19805		
Phone:	302-468-3771		
Email Address:	khammond@BDO.com		

Exhibit B

Acknowledgment Form

Auditor acknowledges that it has been made aware that the WV CPRB is currently implementing a LOB (line of business) new computer system solution agency-wide and this implementation could impact the level of audit procedures that need to be performed and any cost associated with these potential additional procedures as a result of this implementation is included in the all-inclusive cost of the audit. This implementation has begun. The first phase has gone live. The second phase is expected to go live March 31, 2017.

Company

BDO USA, LLP

Authorized Signature



Date

9/27/16

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



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