

Audit Services Review Committee Summary of Proposals Scoring

<u>Applicant</u>	<u>Rank</u>	<u>Score</u>	<u>Price</u>	<u>Location</u>
L.L. Bradford & Company	1	151	\$65,000	Nevada
Houldsworth Russo & Co., P.C.	2	154	\$105,652	Nevada
BDO USA, LLP	3	142	\$76,775	Nevada, local office
Piercy Bowler Taylor & Kern	4	133	\$55,550 to \$180,050	Nevada
Tompkins & Peters CPAs, P.C.	5	122	\$50,000	Nevada
Haynie & Company	6	93	\$175,000	Utah

Based on the proposals reviewed and awarded points, the audit services review committee recommends L.L. Bradford & Company be awarded an audit services contract in support of Workforce Connections.

workforceCONNECTIONS' Board
A-133 Audit Services RFP Review and Evaluation

wC will evaluate proposals on a qualitative basis. This includes a review of the firm's peer review report and related materials, results of discussions with other clients, and the firm's completeness in its response to wC. Proposals will be evaluated by a committee consisting of four (4) members. Proposals will be opened only by the committee and information contained in a proposal will not be disclosed to the public until after the award. The response to each of the criteria contained under Executive Summary of Firm, Qualifications and Experience of Staff, and Proposed Fees will be scored from 0 to 5, and then multiplied times the weight factor. The Committee will evaluate the scores and may conduct oral phone and/or on-site interviews with leading scorers in addition to checking references before selecting a firm.

A proposal review and evaluation committee shall be formed by *workforce* Connections with qualified individuals having backgrounds related to the delivery of public services with fiscal responsibilities.

All entities submitting proposals will be promptly notified of the determination by *workforce*CONNECTIONS. Proposals will become the property of *workforce* CONNECTIONS and will not be returned. The criteria, point value, and weight, and maximum total score are as follows:

CRITERIA	POINT VALUE RANGE	WEIGHT	MAXIMUM TOTAL SCORE
Proposer's Executive Summary	0 - 5	2	0 - 10
Qualifications and Experience of Firm And Applicable staff	0 - 5	5	0 - 25
Proposer's Fees	0 - 5	3	0 - 15

Executive Summary: L.L. Bradford & Company

SECTION IV. EXECUTIVE SUMMARY

- (a) L.L. Bradford & Company has been serving the Las Vegas valley since 1992 and now ranks in size among the top 5 public accounting firms in the greater Las Vegas Metropolitan area. The firm was founded in order to service clients not only economically but also personally. We are proud to be a firm that strives to place tremendous importance on our clients as well as our employees. L.L. Bradford was featured in the July 2010 issue of Nevada Business Magazine in an article titled "Best Companies to Work For."
- (b) Please see the attached organizational chart of the firm located at the end of this proposal.
- (c) L.L. Bradford & Company is a firm of certified public accountants and management consultants located in Nevada. Our office is located at 8880 West Sunset Road, Third Floor, Las Vegas, Nevada 89148. We currently have 40 professional staff employed at our firm. L.L. Bradford & Company ranks in size among the top 5 public accounting firms in the greater Las Vegas Metropolitan area and are applying for minority-owned status as more than 50% of our firm is held by a minority female.
- (d) We are a full-service public accounting firm in that we offer services in the area of accounting, auditing, management consulting, and tax.
- (e) We perform audits of several governmental and non-profit organizations, which employ various accounting systems ranging from Financial Edge by Blackbaud, Sage ERP Mas 90, Great Plains Dynamics, QuickBooks, Sage Pro, etc. We have assisted many entities in converting their accounting systems so we understand the complexities a conversion may create. We are proud of our ability to understand these complexities and to be flexible in our auditing approach to allow for variables that can be encountered in a conversion year.

A Proposal to Provide Professional Services to *workforce*CONNECTIONS

- (f) We embrace the use of technology and employ a paperless audit program to manage the work papers of the audit. This allows us to be more efficient by utilizing current communication options (i.e. e-mail, internet, facsimile, etc.) which can expedite the preparation and completion of audit procedures as well as allowing sections to be reviewed simultaneously with the preparation of work papers of other sections that are in process.

We apply the risk based approach to audits and determine at the assertion level, the risk related to each cycle conducted by operations of *workforce*CONNECTIONS (hereafter referred to as "wC"). Each risk level is based on our fraud discussion and knowledge obtained from current and prior wC audits. Once the risk levels are set, we tailor our audit programs to fit the wC engagement, which include determining critical and non-critical cycles. We use the critical cycles as the primary areas of emphasis, which have included revenue, inventory, derivatives, and wC transactions. We embrace the use of technology and employ a paperless audit program to manage the work papers of the audit. This allows us to be more efficient by

Our procedures to test these critical and non-critical areas will include tests of documentary evidence supporting the transactions recorded in each area, tests of physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement. At the conclusions of our audit, we will require certain representations from you about the financial statements and related matters.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that

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material misstatements may exist and not be detected by our audit procedures. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Management is responsible for making all management decisions and performing all management functions. Management is also responsible for the selection and application of accounting principles, and for the fair presentations in the financial statements of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles.

The staff and management of wC are vital to our audit approach. Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Although our engagement team will be in constant contact with department staff and management on a daily basis, we will perform a weekly update via in person meetings or conference calls. If any significant issues or material misstatements are discovered, the engagement team will discuss with management first and then contact the Board of Directors, if deemed necessary. LLB will always be available to discuss matters.

A Proposal to Provide Professional Services to *workforce*CONNECTIONS

If technical disagreements are identified during the performance of our procedures, we have a policy to contact management immediately to discuss the disagreement. We have found that electronic communication (i.e. facsimile or e-mail) are generally not efficient or productive methods to resolve potential disagreements. We attempt to resolve significant matters directly through phone conversations or face-to-face meetings. This form of communication often resolves potentially critical issues more rapidly. When disagreements cannot be resolved with management, we will communicate the matter to the audit committee to determine what actions are necessary to continue to the engagement.

As we stated above, it is our firm's policy to assign key staff members to an engagement in order to provide more efficient and in-depth service. We strive to maintain consistency at key levels of engagements. We believe this assists us in our efficiencies and allows us to provide the best service to our clients.

Prior to final approval for financial statements, LLB has a policy for the lead partner and manager to perform the following:

- Review the planning documents to gain satisfaction with the conclusions reached related to the risk assessment and the scope-setting process and the sufficiency of the audit program.
- Review the engagement completion document.
- Discuss significant accounting, auditing, and financial reporting matters with the lead audit partner.
- Review the summary of unadjusted audit differences.
- Sign off and date all the work papers reviewed.
- Read the financial statements and audit report(s).

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- Read our report(s) on the audit(s) of the financial statements.
- Maintain independence throughout the performance of the audit (including not receiving or earning compensation for procuring engagements to provide other services to this audit client).
- Confirm nothing has come to their attention that would cause them to believe that the financial statements covered by the audit report are not in conformity with generally accepted accounting principles in all material respects, or that the audit(s) of the financial statements were not performed in accordance with AICPA standards.

The lead partner and manager of the engagement will perform additional procedures, however the items noted above will be performed by all the key members of the engagement team.

During the course of our engagement, we may need to electronically transmit confidential information to each other and to outside specialists or other entities engaged by L.L. Bradford & Company, LLC or *wC*. E-mail is a fast and convenient way to communicate. However, e-mail travels over the public Internet, which is not a secure means of communication and, thus confidentiality could be compromised. *wC* agrees to the use of e-mail and other electronic methods to transmit and receive information including confidential information, between L.L. Bradford & Company, LLC, *wC* and outside specialists or other entities engaged by L.L. Bradford & Company, LLC or *wC*.

Executive Summary: Houldsworth, Russo & Company

SECTION IV – EXECUTIVE SUMMARY

Firm Qualifications and Experience in Government Audits

Incorporated in 1996, Houldsworth, Russo & Company, P.C. is a premier local public accounting firm that has been nationally recognized as experts in the nonprofit accounting field with an additional emphasis in governmental audit services. We believe that our focus in a limited number of niches allows us to provide higher quality service and technical support to our clients. As involved community leaders, our partners can also provide an understanding of the dynamics of the Southern Nevada region. The professional staff understands the government industry and related professional standards.

Houldsworth, Russo & Company, P.C. has served non-profit organizations and governmental agencies since its inception with a client list of 150+ non-profit organizations. The firm shares our experience and knowledge with the community through participating as instructors in the United Way/UNLV Nonprofit Mini-Seminars.

In keeping current on the developments with the most sensitive topics affecting non-profit organizations and governmental agencies, multiple staff from the firm attends the annual conferences offered by the AICPA, including the AICPA National Governmental and Not-for-Profit Training Program, the AICPA National Governmental Accounting and Auditing Update Conference, and the AICPA National Non-Profit Conference. This and similar conferences have offered an A-133 training track, which has included guidance and training on Single Audits.

Proposed Engagement Team

*workforce*CONNECTIONS requires auditors who can quickly identify and understand the pertinent issues and promptly provide assistance whenever and wherever needed. This cannot be accomplished without a comprehensive knowledge of your operations. We have assembled a group of professionals that possess a firm grasp of the subject matter, as well as the maturity, experience and confidence required for this engagement. Their continual involvement and immediate accessibility will ensure that *workforce*CONNECTIONS will be able to contact the decision makers at all times and utilize the full range of resources at Houldsworth, Russo & Company, P.C.

Your dedicated engagement team will include one partner, one audit manager, one senior auditor and a staff auditor on a full-time basis. Our professionals have the experience, flexibility, and commitment necessary to efficiently and effectively serve our clients. We also have a professional staff member available if needed who has over 20 years experience in organizational development with extensive experience with governmental agencies and concerns associated with these entities. As mentioned above, our firm has access to global resources as an alliance firm of BDO USA, LLP.

Quality Work

During our last quality control review, which included a review of government engagements, we received an unqualified opinion – *the highest level of assurance possible*. Please refer to our Peer Review Report in Section VII.

Houldsworth, Russo & Company, P.C. is a member of the Government Audit Quality Center with the AICPA. The Center is a voluntary membership center for CPA firms that perform governmental audits, including all audits and attestation engagements performed under *Government Auditing Standards*, 2011 revision and OMB Circular A-133 of federal, state, or local governments; not-for-profit organizations (NPO); and certain for-profit organizations that receive federal assistance. We believe that membership in the Governmental Audit Quality Center will enable us to continue our quality initiatives within our audit practice and demonstrates our continued commitment to deliver the highest quality *workforceCONNECTIONS* audit services possible. As part of our Center membership requirements and our commitment to quality, Dianna Russo has been named the Firm's designated partner in charge of ensuring the quality of our governmental audit services.

There are not any current or pending disciplinary or litigation actions against our firm in any manner related to our professional activities with state regulatory bodies or professional organizations nor have there been any such actions.

Quality of Service

It is our firm's policy to have our decision makers very involved during *workforceCONNECTIONS*' audit. This policy will ensure that *workforceCONNECTIONS* will have someone very knowledgeable of its operations available throughout the duration of our professional contract. Full-time, experienced auditors who can offer quality recommendations and, if requested, assist *workforceCONNECTIONS*' management in analyzing difficult financial matters, will assure *workforceCONNECTIONS* of a quality audit. Clients are oftentimes

surprised at the degree of knowledge that our staff demonstrates and the level of assistance our staff is able to provide in the way of updating them with changes in the government finance area.

Houldsworth, Russo & Company, P.C. is available year-round to provide *workforce*CONNECTIONS with professional accounting advice and to consult on unusual financial events. Our service does not end after the completion of your audit. We would also be pleased to assist *workforce*CONNECTIONS with extra projects on an as-needed basis.

Partner, Supervisory and Staff Qualifications

Engagement Team

To be effective, an auditing firm must be involved in establishing standards within the profession. This involvement sharpens the firm's technical competence and establishes critical contacts within the standards-setting bodies to clarify and advocate critical client positions. Members of our engagement team must also have people skills. After all, audit information and data is not simply given... it must be obtained, interpreted, and analyzed for possible use. Auditors who have people skills have a greater ability of obtaining the most important audit information in a timely manner. In addition, they are able to be more flexible with the dynamics associated with governmental and business audits.

Continuity of Personnel

Continuity of staffing is an important element in our service plan for *workforce*CONNECTIONS. Excessive personnel turnover, particularly at the staff level, sometimes creates confusion for client personnel and necessitates a series of "start-up" periods

while new staff becomes familiar with the engagement. To ensure that *workforce*CONNECTIONS' personnel derive maximum benefit from their working relationships with our people, we will continue to maintain the highest possible level of staff continuity throughout the course of the engagement.

Continuing Professional Education

In compliance with Generally Accepted Government Auditing Standards, our firm administers a program to ensure that all professional staff members meet Continuing Professional Education (CPE) requirements. Since a large composition of Houldsworth, Russo & Company, P.C.'s client base includes nonprofit and government entities, we are aware of the strict educational guidelines required by the "Yellow Book," *Government Auditing Standards*, 2011 revision, published by the U.S. General Accounting Office. Our audit team receives their CPE from both in-house and commercial-certified CPE training courses and conferences. All members of the audit team have satisfied the Yellow Book requirement of having at least 80 hours of accounting and auditing continuing professional education every two years, of which 24 must directly relate to the government environment and to government auditing. Over the years, our staff has attended numerous qualifying CPE classes for governmental training related to the Not-for-Profit Accounting, Auditing and Financial Reporting, FASB Updates, and Single Audit Updates.

Only full-time, qualified auditors will be assigned to serve *workforce*CONNECTIONS. All of our senior and staff auditors, at a minimum, have a four-year college degree in accounting or related field, and are working towards obtaining CPA certification, if they have not already obtained it. Working under close supervision by management, staff auditors execute specific

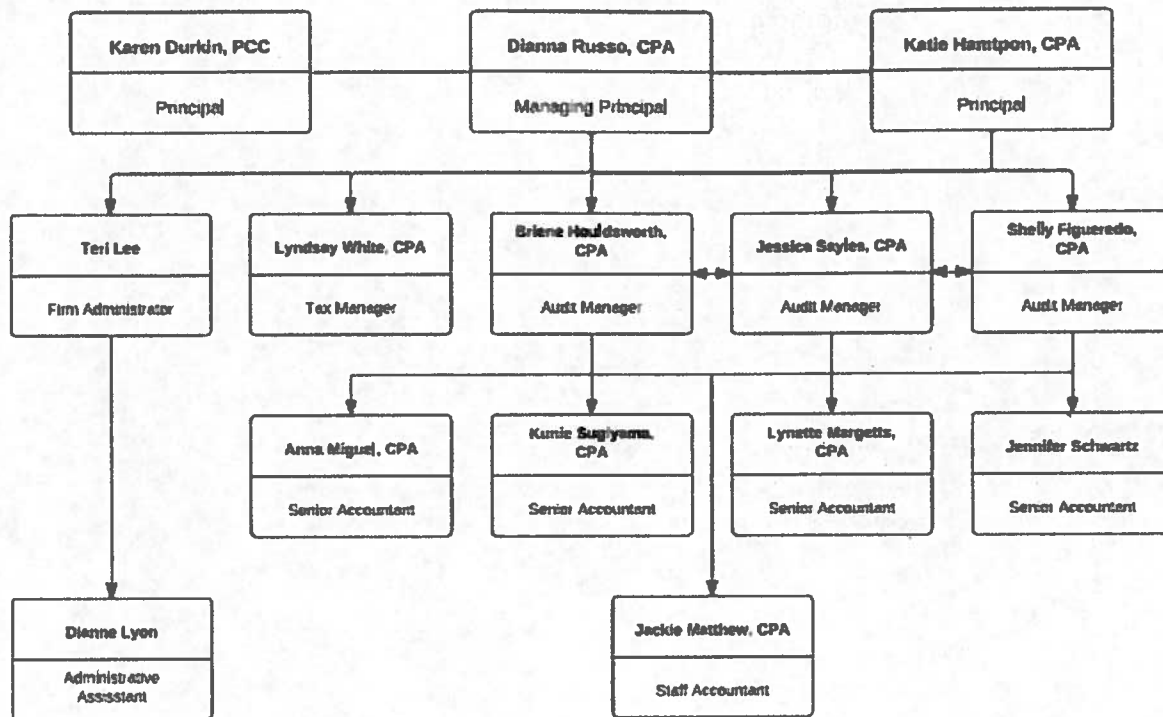
audit assignments in various aspects of an engagement.

We feel that the individuals identified in this section can bring to this engagement enthusiasm and imagination appropriately blended with experience and maturity. All team members specialize in accounting, auditing, business practices, procedures, and taxation. Their continuing involvement and immediate accessibility will assure that *workforce*CONNECTIONS will, at all times, be able to contact the decision makers at Houldsworth, Russo & Company, P.C. and have access to our full range of resources.

Commitment to Affirmative Action

Houldsworth, Russo & Company, P.C. has long been committed to an aggressive program of affirmative action. The firm's standard is affirmative in practice as well as in principle as it actively seeks to recruit, employ, and promote members of minority groups. Minorities are represented at every level of the firm. We believe our policies, standards, and support structures represent the diversity of the clients we serve.

Organizational Chart



Location of Office and Range of Activities

Houldsworth, Russo & Company, P.C. is a local certified public accounting firm with its single office in Las Vegas, Nevada. Our firm offers an array of professional services with twelve highly skilled professionals and two administrative staff. Our staff consists of three principals, one tax and three audit managers, four senior auditors, and a staff auditor. Of the twelve professionals, Ten are certified public accountants. All auditors have satisfied the "Yellow Book" requirement of having at least 80 hours continuing professional education every two years, of which 24 must directly relate to the government environment and to government auditing. All employees have attended numerous qualifying CPE classes for training related to FASB Updates, Single Audit updates, and self-study coursework. A detailed list of topics and hours is available upon request.

Audit services will be performed by staff from our Las Vegas office, which will provide *workforce*CONNECTIONS with both the quality of service and attention that it deserves.

Houldsworth, Russo & Company, P.C. offers a wide array of services from single location which include audit and attest services, tax planning and preparation including an emphasis in Form 990 informational returns for non-profit organizations, business services such as bookkeeping, QuickBooks set up and training, executive coaching, retreat and strategic planning and profitability enhancement for all types of businesses and organizations.

Houldsworth, Russo & Company, P.C.'s audit services include audits of financial statements, compliance, and employee benefit plans. Our audit services are provided to for-profit, non-profit,

and governmental organizations. Our attest services include many engagements in which the procedures are designed specifically for the organization and their needs. As our audit engagements service all types of organizations, the firm designs audit procedures specific to the organization to ensure the audit is being performed based on the risks present, as well as properly responding to the controls designed and implemented by the organization.

The firm's tax services are also provided to both for-profit and non-profit organizations. To respond to the constant changes in accounting and tax requirements, our firm is a member of the AICPA Government Audit Quality Center, the AICPA Employee Benefit Plan Audit Quality Center and AICPA Tax Center which requires members to adhere to strict standards. Houldsworth, Russo & Company's ability, technical expertise and timeliness in handling engagements of a similar scope and size have been consistently demonstrated over time. We are committed to providing *workforce*CONNECTIONS services with the high level of excellence and involvement that it so deserves.

Houldsworth, Russo & Company's business services are tailored to the organization being advised. We offer to meet with the board members to assist with strategic planning of the organization and training on good governance for the board members of the organization.

Although the firm started in 1996, our employees have experiences preceding the work experience gained through their employment at Houldsworth, Russo, and Company, P.C. The Managing Partner began her career in Maryland in the non-profit arena. Ms. Russo leveraged her experience in Maryland to grow the firm's niche recognized as experts in the nonprofit

accounting field with an additional emphasis in governmental audit services. The firm began its practice with audits of three special-purpose government agencies that were retained until the last two years. The Audit Manager audited the Nevada System of Higher Education for three years before coming to work with Houldsworth, Russo & Company, P.C. The Audit Manager's past and current experience also includes auditing Tribal Casinos, a proprietary fund of the Tribal government. In the last two years, the firm has expanded its governmental experience from auditing to accounting by assisting three charter schools with their day to day bookkeeping, including, for one school, acting as the contact during the audit process and preparing the full disclosure financial statements. The funds of a charter school include the general fund, special purpose funds, and agency funds. With the past experience of the Nevada System of Higher Education and the current experience with the charter schools (hybrid accounting systems), special-purpose governments of state boards, Tribal Casinos as a proprietary government, and the component units of the colleges, the firm is well-rounded in the various presentations and local governments with hybrid accounting systems.

Specific Audit Approach

Scope of Work

The following is a description of the nature of services required by *workforceCONNECTIONS* for fiscal years ending June 30, 2012 and 2013.

Basic Financial Statements

We will perform financial and compliance audits of *workforceCONNECTIONS*' basic financial statements in accordance with auditing standards generally accepted in the United States of

America (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to financial audit and the compliance audit contained in *Government Auditing Standards*, 2011 revision, issued by the Comptroller General of the United States for the purpose of expressing opinions on the fair presentation of *workforceCONNECTIONS*' financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP).

An audit is subject to the inherent risk that errors or irregularities may not be detected. However, should there be any conditions discovered which lead to the belief that material errors or fraud may exist, or if any other circumstances are encountered that require extended services, we will promptly advise *workforceCONNECTIONS* in writing in accordance with Statements on Auditing Standards No. 82.

In the event that circumstances warrant more extensive and detailed services beyond those in the contractual agreement, we shall provide in writing and in advance the reasons for the additional services together with our estimate of costs. No additional work will be performed without advance approval by *workforceCONNECTIONS*.

Single Audit

We will perform a Single Audit in accordance with the federal Single Audit Act Amendments of 1996; the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the related compliance supplement for Single Audits of State and Local Governments:

- ❑ Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*, revision 2011.
- ❑ Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance.
- ❑ An “in relation to” report on the schedule of expenditures of federal awards

Auditing Standards and Guidelines

We will perform the audits in accordance with the following standards and guidelines:

- ❑ Generally Accepted Auditing Standards as defined in the *Statements on Auditing Standards* of the American Institute of Certified Public Accountants.
- ❑ *Government Auditing Standards*, revision 2011 (Yellow Book), issued by the Comptroller General of the United States including Amendments No. 1 (Documentation Requirements When Assessing Control Risk at Maximum for Controls Significantly Dependent Upon Computerized Information Systems), No. 2 (Auditor Communication), and No. 3 (Independence).
- ❑ Single Audit Act Amendments of 1996 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.
- ❑ Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board
- ❑ *Audits of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

Our objective is to provide an audit plan that is both realistic and mutually acceptable, thus forming the basis by which audit progress can be measured. Frequent communication is required for the audit plan to be an effective management tool. We will meet with the appropriate management personnel on a regular basis to report the progress of our audits, and any preliminary findings. We expect *workforceCONNECTIONS* to communicate any foreseeable delays in the delivery of accounting records, financial statements, and/or other documents needed to complete our work.

We propose to address all key accounting and reporting issues that could potentially affect our audit opinion up front. Proper planning, timely communications, and the prompt resolution of reporting issues will lead to a smooth transition to the final reports and timely completion of the engagement. This approach will result in a positive working relationship between Houldsworth, Russo & Company, P.C. and *workforceCONNECTIONS* personnel.

Additional Assistance

We will also perform the following tasks:

- ❑ Attend at least one meeting with *workforceCONNECTIONS*' Budget Committee and, if requested, present the audit report to *workforceCONNECTIONS*' Board of Directors.
- ❑ Keep *workforceCONNECTIONS* advised of new state and national developments affecting government finance and reporting, standards, and trends.
- ❑ Perform certain limited procedures involving supplementary information required by the Governmental Accounting Standards Board.

- ❑ Be available year-round to advise *workforceCONNECTIONS* on various financial issues and to recommend the proper course of action. We would also be pleased to provide *workforceCONNECTIONS* with additional consulting services on an as-needed basis.

Unless otherwise noted, these services are part of our all-inclusive maximum fee. However, if a significant amount of time (more than 15 minutes) is needed to respond to each request, our firm reserves the right to negotiate with *workforceCONNECTIONS* for additional fees.

Proposed Segmentation

Three-Phase Audit Process

Our firm uses a three-phase process when performing a financial statement audit. Phase I includes planning the audit, identifying potential issues and/or significant changes in *workforceCONNECTIONS* operating environment. Also during this phase, we obtain an understanding of our client's major transaction cycles and perform a preliminary assessment of control risk. Phase II of our audit process relates to our procedures designed to test controls in order to evaluate the effectiveness of policies and procedures relevant to specific financial statement assertions. Our approach to Phase I and II is designed to meet the requirements of Statements on Auditing Standards (SAS) No. 22, *Planning and Supervision*; SAS No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*, as amended by SAS No. 78; and Statement of Position (SOP) 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*. Phase III of our audit process relates to our procedures to gather audit evidence to support the management assertions embodied in the year-end balances recorded in *workforceCONNECTIONS*' financial statements.

Phase I – Planning and Initial Assessments

During Phase I, we gather information to assist our planning of the engagement, identifying issues, and performing a preliminary assessment of control risk. The audit procedures that we perform during the Phase I process include the following:

- ❑ Review prior year work papers, correspondence, files, budget and related material, organization charts, manuals and programs, Board of Directors minutes, financial and other management information systems, financial statements, and other internal documents.
- ❑ Review the regulations applicable to the operations of *workforceCONNECTIONS*.
- ❑ Meet with the appropriate management personnel to discuss any current changes to accounting principles and laws that impact the current year's audit.
- ❑ Meet with *workforceCONNECTIONS*' staff to discuss the timing of scheduling audit procedures and of receiving client-prepared schedules.
- ❑ Document our understanding of *workforceCONNECTIONS*' workflow and internal controls by interviewing *workforceCONNECTIONS*' personnel and utilizing internal control checklists and computerized flowcharting techniques.
- ❑ Identifying accounting control procedures that prevent or detect errors or fraud. During this process, we will focus on the resolution of the prior year findings issued.
- ❑ Perform preliminary assessment of control risk.
- ❑ Perform preliminary analytical procedures by comparing current account balances to financial statement line items from the preceding period and to the current year budget. Identify any unusual or unexpected variances, and obtain assistance from

*workforce*CONNECTIONS' staff to determine variance explanation.

- ❑ Obtain information about the investment managers and custodian bank from which confirmation of investment balances will be requested.
- ❑ Preliminarily assess risk areas.
- ❑ Document our understanding of entrepreneurial activities (complex, risky transactions or activities)
- ❑ Consideration of risk areas relating to fraud (SAS 99).
- ❑ Identify likely major federal financial assistance programs and obtain proper CFDA program numbers.
- ❑ Obtain contracts, results of other audits, document our understanding of the internal controls environment over financial, administrative, and management aspects of the programs.
- ❑ Review the applicable compliance requirements as part of the Single Audit procedures. During the inquiry of personnel regarding internal control procedures, the control procedures over each applicable compliance requirement will be identified. Based on the applicable compliance requirements and the control procedures in place, the approach to testing will be designed.
- ❑ As the opinion issued over the financial statements will be in relation to the opinion over the Single Audit compliance audit, the audit approach will focus heavily on the compliance requirements applicable to *workforce*CONNECTIONS. Evaluating the compliance requirements will include an assessment of the effectiveness of the design and implementation of control procedures, as well as the level of compliance with the requirements put forth by the federal government.

Phase II – Test Controls

During Phase II of our audit approach, we perform tests of controls identified in Phase I to determine whether the internal controls prescribed by management are functioning as designed. Upon completion of these tests, we update our preliminary evaluation of the control environment and the related accounting and administrative procedures. Based upon the results of our tests, we may revise our assessment of control risk for each significant area. The audit procedures we perform during the Phase II process include, but are not limited to the following:

- ❑ Test controls of major accounting systems using sampling methods to determine that the internal controls are functioning as prescribed.
- ❑ To gain efficiencies, we incorporate dual purpose testing methods to document our ability to place reliance on the internal controls.
- ❑ If applicable, identify instances where the internal controls failed to detect an error and report these instances to the appropriate persons. If the finding is of substance, document our findings in a preliminary management letter so that necessary corrections can be made immediately. The finding will be communicated to management after all the facts have been obtained.
- ❑ Based on our test results, re-evaluate our preliminary assessment of control risk and make necessary changes to our general audit approach.
- ❑ Perform compliance testing of applicable laws and regulations.
- ❑ Obtain expenditure claims and receipts and discuss program requirements with *workforceCONNECTIONS*.
- ❑ Test program expenditures including programmatic requirements using sampling

methods and indirect cost allocation plan methodology.

- ❑ Discuss findings with appropriate personnel for feedback and comments.

Phase III – Gathering of Audit Evidence to Substantiate Year-End Balances

During Phase III of our audit approach, we gather evidence to support the various management assertions embodied in the year-end financial balances. Transactions and account balances are selected and tested based upon materiality, past history, and auditor judgment. Our objective during this phase of the audit is to acquire sufficient competent evidence to provide reasonable assurance that the financial statements are free of material misstatement.

When it would be more efficient to do so, we will utilize sampling in order to make our selections for substantive testing. The sampling method used to make selections will depend on the population. Methods used will include random number generation and population stratification. The sample size will be determined based on the ending balance, our assessment of controls and the results of testing of controls over transactions related to account balances, and a statistical criterion related to the risk that testing will not detect misstatements. The audit steps that we perform during the Phase III process include the following:

- ❑ Hold progress meetings with the appropriate management personnel to discuss the status of the audit and apprise *workforceCONNECTIONS*' management of possible findings and adjustments to be considered.
- ❑ Confirm material account balances and perform test of transactions.
- ❑ Apply final analytical procedures by comparing financial statement account balances to the preceding period's financial statements. Obtain an understanding of any material

changes in financial statement items.

- ❑ Perform audit sampling on material account balances that are comprised of a large number of small balances. Statistical sampling forms will be used to determine the sample size based on account balance and number of transactions.
- ❑ All audit tests performed by audit staff are reviewed by a senior, manager, and partner.
- ❑ Recommend audit adjustments for any materially incorrect account balances
- ❑ Review the basic financial statements to identify items that need to be amended to conform to the requirements of generally accepted accounting principles and to the criteria of obtaining the Certificate of Achievement Award.
- ❑ Complete our audit and submit all required reports to management by the agreed upon date.
- ❑ Draft findings and recommendations (if applicable).
- ❑ Issue Single Audit report draft for review and analysis during progress meetings. The reports include a Schedule of Expenditures of Federal Awards and related footnotes, the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*, revision 2011, the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance, and an “in relation to” report on the schedule of expenditures of federal awards.
- ❑ Finalize reports and issue.
- ❑ Complete Data Collection Form.

Sample Size and Sampling Approach

We will employ sampling techniques in such a way that the resulting sample can be expected to be representative of the population we are examining. Sample sizes vary depending on the purpose of the audit test, the size and dollar amount of the population being sampled and the level of audit risk of the related account balance or transaction class. Sample sizes for tests of controls will generally range between 25 and 60. Sample sizes for substantive tests of account balances will vary significantly based on the factors mentioned above. We may design substantive tests to achieve a desired level of coverage or apply sampling techniques to achieve a representative sample on which to test a given population.

There are two general approaches to audit sampling, statistical and nonstatistical. Where practical, we will utilize statistical sampling methods. Alternative methods such as random and haphazard sampling may be employed where statistical sampling is not considered efficient or practical.

Analytical Procedures

Analytical procedures consist of evaluations of financial data based on relationships among both financial and nonfinancial data (for example, square footage or number of employees.) Our professional audit standards require that we apply analytical procedures during the planning stage of our audit to identify significant matters that may require audit emphasis. We will perform various analytical procedures during the planning stage, as a substantive test and during the final review stage of the audit to comply with our professional standards and to achieve our audit objectives. The more common types of analytical procedures include comparison of

operating results to the adopted budget, trend analysis of account balances and operating results, and predictive tests based on relationships among elements of financial information.

Internal Control Structure

WorkforceCONNECTIONS' personnel will be our greatest resource in understanding *workforceCONNECTIONS'* processes. We will utilize our prior audit experience along with inquiries *workforceCONNECTIONS* personnel, review of written policies and procedures and observations of the operating environment to gain an understanding of the significant transactions cycles of *workforceCONNECTIONS*. We will document our understanding through the use of flowcharts and memorandums, and we will validate our understanding through appropriate tests of controls.

Laws and Regulations

Our vast experience with other organizations and our continued involvement in the government sector provide a solid foundation on which to determine the laws and regulations that are applicable to *workforceCONNECTIONS*. In addition, our professional staff is required to comply with strict continuing education requirements. Based on our prior audit experience and the information gained through conversations with *workforceCONNECTIONS'* management, we anticipate that the most significant compliance matters will include the Single Audit requirements of OMB Circular A-133, and other requirements relating to the budgetary process, debt covenants and grant administration.

Audit Samples and Testing Compliance

Sample sizes and methodologies relating to tests of compliance will vary depending on the nature of the transactions and relating compliance requirements and the volume of the population being sampled. We will test compliance requirements that are quantitative in nature in a fashion similar to substantive testing described above. Sample sizes for tests of compliance requirements that are not quantitative in nature will generally range between 25 and 60, unless the population is small enough to warrant fewer sample items.

Technology

To increase efficiency and decrease duplication of work on the part of the firm and our clients, the firm requests that all information be provided electronically using an FTP site. Uploading of documents to this password protected site allows for all documents to be securely transferred without the potential of interception of sensitive documents. These tools are provided from our collaboration with an outside IT firm that provides system audits enabling us to expand our audit procedures.

Single Audit Approach

Office of Management and Budget Circular A-133 requires the auditor to use a risk-based approach to determine which federal programs are major programs. The risk-based approach includes consideration of current and prior audit experience, oversight by federal agencies and pass-through agencies, and the inherent risk of the federal programs. The risk-based approach is designed to focus the single audit on higher-risk programs.

Proposed Schedule

We recognize the importance of timely completion of audit tasks and deliverables. The timing of our audit procedures will be coordinated with management to minimize disruption of *workforceCONNECTIONS*' operations and **ensure timely delivery** of all reports by your established deadlines.

Governmental entities often depend upon an elaborate structure of interlocking relationships for managing public programs and resources. Our philosophy for a successful engagement is based upon **organization, communication, and coordination** between the two parties responsible for the completion of the audit, the accounting firm and the client. We take coordination seriously and regard it as an integral factor to the relationship between auditor and client. We welcome *workforceCONNECTIONS*' involvement in the planning process and believe that monitoring progress will result in timely financial reporting.

Upon completion of the audit and prior to issuing any audit reports or the management letter, we will participate in an exit conference with the appropriate management personnel to discuss observations and findings. During the course of the engagement, and on a regular basis, we will meet with and provide status reports to *workforceCONNECTIONS*' appropriate management personnel. We will also be available to meet throughout the year, as needed to provide consultation on various accounting and auditing matters.

We are committed to deliver *workforce*CONNECTIONS' reports according to the following tentative schedule for fiscal years ending June 30, 2012 and 2013. A similar schedule will be developed for the subsequent year's audits.

Date

Task/Deliverable

June 2012

Entrance conference with management, to discuss prior years' audit problems and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the auditor.

We would like to meet in mid-June to discuss the presentation of the financial statements providing management with sufficient time to gather any unexpected requests and make all expected adjustments.

Meet with Board or Budget Committee, if necessary, to allow communication of any areas of concern to be addressed during the audit.

If time allows, we will gather an understanding of the internal controls of the preliminary audit testing will be performed to minimize the time spent in October.

First week of October

Complete preliminary audit testing. Perform yearend audit testing. Perform fieldwork for financial statement audit as needed.

Discuss current year audit with management. Assess risk, write/tailor audit programs, test controls and document understanding.

During the audit (October)

Progress conference with management to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested.

Discuss any findings with management during a progress meeting. Provide management sufficient time to provide a response to any findings.

At the end of fieldwork

Provide all recommendations, revisions and suggestions for improvement to the Chief Finance Officer and be available for any meetings that may be requested.

Provide any proposed journal entries with related support.

Conduct exit conference with management to summarize the results of the fieldwork and to review significant findings and recommendations.

On or before

December 14, 2012

Provide draft of audit of the financial statements and the management letter to management.

On or before

January 31, 2013

Provide bound and signed audit reports and the Management Letter to management and the Budget Committee.

Identification of Anticipated Potential Audit Problems

After reviewing your requirements in the Request For Proposals and responses from management, we do not anticipate any so-called "audit problems," as all audit findings are expected to be properly resolved. However, if any audit problems are discovered, we will approach these challenges by working closely with *workforceCONNECTIONS* to address the issues early on, thereby avoiding last minute surprises.

Report Format

The formats for required reports will conform to industry standards and comparable reports previously issued by *workforceCONNECTIONS*. The financial statements are the responsibility of *workforceCONNECTIONS*. Changes by management that are in compliance with generally accepted accounting principles will be incorporated.

Additional Considerations

Work paper Retention

Our firm will retain all work papers for a minimum of three (3) years, unless we are notified in writing by *workforceCONNECTIONS* of the need to extend the retention period however it is our firm's policy to retain work papers for a minimum of seven (7) years. The work papers will be available, upon request, to the following parties or their designees:

- ☐ *workforceCONNECTIONS* staff or Board of Directors
- ☐ The State of Nevada
- ☐ The U.S. Department of Labor
- ☐ U.S. General Accounting Office (GAO)

Executive Summary: BDO USA, LLP

Section IV – Executive Summary

Each respondent is to provide a brief summary of their business which should include but limited to, the following:

(a) Provide years of established business which indicates recent accomplishments.

BDO USA, LLP celebrated its 100th anniversary in 2010. In 2011, 34 BDO offices around the country were awarded the Alfred P. Sloan Award for Business Excellence in Workplace Flexibility (including the BDO Las Vegas practice). This is the third consecutive year that more than 30 of BDO's offices have been honored with this prestigious award. In addition to the Sloan Awards, during the past year, BDO USA has been named one of the *2011 Best Companies by Working Mother* magazine and one of the *2011 Best Places to Work for Recent Grads* by Experience, Inc.

(b) Provide an organizational chart of firm which indicates number of staff and if applicable, local, regional, national and/or international operations.

Workforce Connection's engagement will be staffed from our Las Vegas office. The BDO Las Vegas office currently includes approximately 28 personnel. We provide audit, tax and advisory services to companies in a range of industries and sizes. BDO Las Vegas practice professionals assigned to the Company's engagement are active with BDO's Governmental and Not-For-Profit Industry Group.

THE BDO NETWORK

Where You Need Us, When You Need Us

BDO USA, LLP Statistics
(as of and for the year ended June 30, 2011)

Top 10

Firm among largest
national accounting
firms

\$572

Million in revenues

41

Offices across
the country

1,994

Dedicated
partners and
professional staff



Red highlights include national coverage for BDO offices and
BDO Selman Alliance Firms



BDO GLOBAL NETWORK
Worldwide Statistics

(as of and for the year ended September 30, 2011)

5th

BDO is the world's
fifth largest
accountancy
network

138

Countries
within our
global reach

1,118

Offices
worldwide*

\$5.672bn

Total combined fee
income *

48,767

Total Personnel
around the globe

* Including exclusive alliances of BDO Member Firms

About BDO

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, financial advisory and consulting services to a wide range of publicly traded and privately held companies. For 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. Guided by core values of integrity, trust, professionalism, independence and service, the firm serves clients through 41 offices and more than 400 independent alliance firm locations nationwide.

BDO-West Region

BDO has maintained a meaningful presence in the Western U.S. Our client base is a reflection of the local market economy, and is comprised of an extensive range of industries, including health care, insurance, pharmaceutical, wholesale, distribution, manufacturing, service, technology and software, finance and real estate in both the public and private sectors.

Workforce Connections has local access to our Firm's top technical resources with ease and efficiency. They will work side by side with your personnel and engagement team. This close proximity affords efficient turnaround on complex matters, and quick resolution of issues that may arise with respect to reporting or accounting technical research matters.

Our Institute for Nonprofit Excellence (the "Institute") provides accounting, tax, and consulting services and has a diverse practice of nonprofit organizations. The Institute is comprised of numerous individuals servicing the governmental and nonprofit industry firm wide and provides information on the application of new or emerging standards applicable to those organizations. Our nonprofit entities include educational, governmental, trade, charitable, membership, religious, social club, and private foundation organizations with asset sizes ranging from \$500,000 to approximately \$10,000,000,000.

BDO is a member of the AICPA's Governmental Audit Quality Center, established to improve the quality of audits performed in accordance with governmental auditing standards. The Las Vegas office is part of the BDO Alliance Governmental Industry Group. The Governmental Industry Group is a nationwide team of public accounting and consulting professionals from BDO and its independent Alliance member firms focused on serving local, state and federal governmental entities.

With over 2,000 clients in the nonprofit and governmental sector firm wide, our team of professionals offers the hands-on experience and technical skill you can rely upon to serve the distinctive needs of Workforce Connections. Rest assured that BDO professionals are interested in Workforce Connections, care about its success, and are dedicated to helping you achieve your goals. Because our practice includes organizations similar to yours, we are able to offer a wide range of expertise, practical savvy, and lessons learned. We are able to reach beyond a narrow technical approach to analyze and advise Workforce Connections on the many elements of running a fiscally responsible government. Collectively, BDO has encountered a variety of issues over the years and helped governments resolve them. When GASB Statement No. 34 became effective, we assisted several governments in early implementing the pronouncement. Our governmental clients get regular advice from us about emerging accounting and tax issues.

The International Network

As the U.S. member firm of BDO International Limited, BDO USA, LLP serves international clients by leveraging a global network of resources comprised of 1,138 member firm offices in 115 countries. The close professional relationships among the different firms are strengthened by

committees and task forces, and frequent meetings and seminars, which in turn lead to uniformly high standards. Consequently, the BDO Network offers extensive experience with international business practices, national laws and business customs, and are well positioned to provide clients with a wide network of local business contacts should the need arise.

(c) Describe the office from which the work is to be staffed including the number of professional staff by staff level employed at that location.

BDO has been serving the Nevada market for over to ten years. Our Las Vegas office consists of 28 professional staff lead by 3 partners. The Las Vegas practice office is included in our West Region audit practice, which serves approximately 67 public companies as well as numerous private companies. Our audit clients generally range in size from multi-million dollar revenue producers to those with over \$2 billion in revenues. In Nevada, a majority of the governmental audits are serviced by a only few accounting firms and of those few firms, one firm is engaged to perform most of the governmental audits. We believe that the governmental audit community would be better served if more firms were given the opportunity to perform the audits. BDO USA, LLP is a national firm focused on governmental audits with a dedicated Institute of Governmental and Nonprofit Excellence. We would like to demonstrate our commitment to invest in the governmental sector and hope that Workforce Connections will invest in BDO's governmental audit practice in Nevada.

BDO Las Vegas Practice Staff by Level:

PARTNER	3
SENIOR MANAGER	2
MANAGER	3
SENIOR ASSOCIATE	6
ASSOCIATE	10
PROFESSIONAL STAFF	4

(d) Describe the range of activities performed by the local office such as auditing, accounting, tax service, and management service.

The Las Vegas office is a full service practice offering audit, tax and consulting services to the nonprofit and governmental sectors.

(e) Discuss your staff's capability to audit units of local government with hybrid accounting systems.

We are accustomed to working with local government clients using hybrid accounting systems.

With many larger, multi-purpose governments, it is common to find one accounting system servicing both a general fund, on the modified cash basis, and enterprise funds, on the accrual basis. The local government's accounting system will typically record transactions on a cash or budgetary basis during the year for budgetary control purposes and then require adjustment at year-end (or interim periods) to convert to the appropriate bases of accounting for financial reporting purposes. The auditor must fully understand the accounting system's design and capabilities; and the nature of the adjustments required, which BDO does.

(f) Describe how your firm will approach the audit of wC, including the use of any association or affiliate member firm personnel and the areas that will receive primary emphasis. Also discuss the firm's use of technology in the audit.

Service Approach

Our approach to your audit will take into account the following strategies outlined below and described in more detail in the sections to follow:

- Communication throughout the year
- Advance planning of the audit and tax processes to ensure there are no surprises
- Detailed examination of your internal controls
- Use of Information Systems audit
- Well planned and executed audit fieldwork
- Full understanding of nonprofit issues
- Extensive quality control procedures

As auditors, we want to be accurate. As business advisors, we want to be practical. To Workforce Connections make the best decisions, we firmly believe in communication throughout the year. We also believe that proper planning greatly reduces the possibility of surprises during the year-end fieldwork. To this end, we conduct our audits in two phases—interim fieldwork and final fieldwork.

Fieldwork

As a first step in the fieldwork phase, we gain an understanding of your operations, evaluate the reliability of your internal controls and identify any issues that may have audit significance.

Based on the information we obtain during this phase, we can determine:

- Your major programs and the general areas of audit risk.
- The extent to which we can rely on your internal controls for our audit testing.
- Whether any significant audit issues need to be discussed so they can be resolved prior to the start of final fieldwork.

Document our Understanding of the Operating Environment and Internal Controls: The first step we perform in approaching an audit is the development of 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 the following:

- Organizational structure.
- Operating budgets, including budget restrictions.
- A description of financial and other information systems.
- Provisions of laws and regulations.

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.

The key to evaluating internal control is achieved by carefully documenting the five interrelated components, namely control environment, risk assessment, control activities, information, and communication and monitoring. The division of internal control into five components provides a useful framework for us in considering the impact of Workforce Connections' internal control in an audit. However, it does not necessarily reflect how Workforce Connections considers and implements internal control. Our primary consideration is whether a specific control affects financial statement assertions rather than its classification into any particular component.

The five components of internal control are applicable to the audit of every entity. We will consider these components in the context of:

- The entity's size
- The entity's organization and ownership characteristics
- The nature of the entity's business
- The diversity and complexity of the entity's operations
- The entity's methods of transmitting, processing, maintaining, and accessing information
- Applicable legal and regulatory requirements

Our audit approach will be structured in such a way that we will obtain an understanding of each of the five components to assist in planning the audit by performing procedures to understand the design of controls relevant to the audit. In planning the audit, this knowledge will be used in:

- Identifying the types of potential misstatements
- Considering factors that affect the risk of material misstatement
- Designing substantive tests

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 of 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.

Information Systems Auditing: Our Information Systems Assurance group supports the financial auditors by providing risk assessments and tests of computerized application controls in Workforce Connections' 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.

Consider Engagement Risk and Determine Audit Strategy: In order to understand and plan the engagement to address risk, we consider all information known about the organization in terms of industry and business risk and audit objectives. The professional judgment and experience of the engagement team are critical to this process. Documenting important strategy decisions in a strategy memorandum and more detailed elements of those decisions in the audit program provide effective direction to the staff responsible for their execution.

We will consider account balances or classes of transactions that could result in an error to the financial statements when not detected. Devoting attention to such accounts or classes of transactions will ensure they receive proper audit coverage and lessen the possibility that the financial statements might be misleading. As part of this process, we will also perform the following procedures:

- 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 approved budgeted line items. We will be looking for unusual variances.
- 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.

Based on information gathered, we will develop our audit strategy including:

- Determining to what extent the environment appears to encourage the maintenance of reliable accounting and control procedures.
- Determining the extent to which the environment reduces incentives and opportunities for intentional misrepresentations by management in the financial information.
- Identifying significant reports and procedures management uses to control the organization that can be helpful in designing substantive tests.

Identify Significant Audit Areas and Develop Tailored Audit Programs: 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 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 risk analysis
- Account risk analysis
- Cycle matrix
- System narratives and/or flowcharts
- Tailored audit programs

The final fieldwork phase of the audit will generally commence once the books are closed and the appropriate audit schedules have been completed. During this phase, we will perform the appropriate tests of account balances in order to form an opinion on the financial statements.

Design Sampling Approach: In the testing phase, we design our sampling methodology using selective testing. Audits conducted in accordance with 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 determination of sample sizes will depend on several factors, including the reliance that can be placed on existing controls, population size and make-up, routine or non-routine types of transactions, number of significant items comprising the population, and 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 disbursements, procurement and payroll expenditures. Monetary unit sampling can be used for testing receivables, inventory and recorded amounts of fixed assets.

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 comparisons 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 procedures.

During the substantive phase of the audit, we will perform budgetary to actual analyses of revenues and expenditures, changes in investment vehicles and yields, analyze payroll cost and full time equivalent personnel by department, and perform various trend analyses of accounts to determine unusual or abnormal relationships and results that may require investigation and resolution.

In the reporting phase of the audit, we will 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.

Advanced Audit Technologies

Our audit process incorporates automated audit tools to provide you with timely information and effective and efficient audits. BDO has developed a proprietary, risk-based audit methodology application, which is used by the financial audit team to identify inherent risks and control strengths.

To further increase the efficiency of our audits and reduce costs to you, we use laptop computers and portable printers/scanners for all of our audit planning and fieldwork. We combine the use of spreadsheets, word processing and trial balance software to perform the most efficient audits possible. Some of the benefits of full automation include the ability to:

- Import data directly from your accounting system, thereby eliminating manual keypunching.
- Prepare graphs for management presentations.
- Use pre-formatted spreadsheets from year to year, allowing us to perform ratio and trend analysis on key accounts.
- Work in a “paperless” audit environment allowing you to provide schedules electronically and reduce your staff’s audit preparation time.

Communication Process

Our personnel pride themselves on their ability to communicate effectively. We understand the importance of communicating relevant information on a timely basis. We also understand that your staff has other matters to deal with and that organizations must conduct business with minimal disruption. Accordingly, it is our policy to schedule meetings in advance to keep

management informed of the progress being made on the audit. By identifying and resolving audit issues on a continuing basis, we help address issues before they develop into problems or “surprises” to management. Also, our deployment of BDO’s process of quality control will be accomplished without causing you surprises; our review members are involved throughout the auditing process.

Entrance, Exit, and Status Conferences

We understand the importance of communicating relevant information on a timely basis. We also understand that your staff has schedules and other matters to deal with, and that organizations must conduct business with minimum disruption. Accordingly, it is our policy to schedule meetings in advance to keep management informed of the audit’s progress. By identifying and resolving audit issues on a continuing basis, we help address issues before they develop into problems, “surprises” or delays to management and the board. Also, our deployment of BDO’s process of quality control will be accomplished without causing you surprises; our review members are involved throughout the auditing process.

Executive Summary: Piercy, Bowler, Taylor & Kern

EXECUTIVE SUMMARY

PBTK Biography and Services Provided

PBTK is a regional firm, with offices in Las Vegas, Nevada and Salt Lake City, Utah. The Las Vegas office of our predecessor national firm was established in 1954, merging in the practice of a

local firm, which had gained a solid reputation in government auditing.

PBTK is a general practice, and has been since the inception (58 years ago) of our predecessor Firm, with industry emphases in government, not-for-profit, gaming, hospitality, real estate, and construction. A wide variety of services are provided by the Firm including auditing, accounting, taxation, business advisory, financial planning, valuation, and law firm litigation support. PBTK's recently opened Salt Lake City satellite office also specializes in government and not-for-profit auditing.

PBTK is a professional corporation, licensed to practice public accounting in the State of Nevada (license number CORP-0299). This license was originally issued December 1, 1990, has been renewed through December 31, 2012, and has been in force continuously over that 20+ year period.

PBTK, which is headquartered in Las Vegas with a satellite office in Salt Lake City, Utah, is recognized as a premier provider of accounting and business consulting services in Southern Nevada, serving both local governments and not-for-profit entities.

We believe that PBTK has distinguished itself as the "wise choice of several alternatives" for the Organization (and other government and not-for-profit entities) primarily for the following reasons:

- PBTK's commitment to quality client service, included in our *Statement of Firm Philosophy*, is summed up in the following quotation, "Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful

execution; it represents the wise choice of several alternatives . . ."

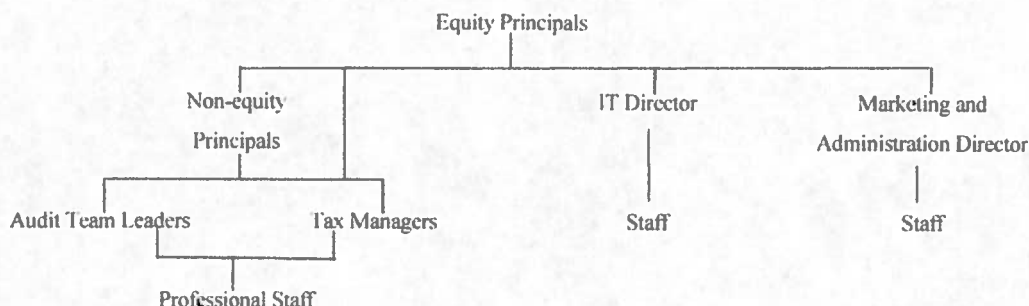
- PBTk is the largest locally-owned accounting firm in Southern Nevada, the third largest office of any Las Vegas firm, and one of the largest in Nevada. As the successor to the local practice of a national firm with a long and solid history, we currently employ 61 people, including over 30 CPAs, 16 principals (some with over 40 years of experience with government and not-for-profit entities), and 18 team leaders. Accordingly, we possess the necessary "critical mass" to assure the quality and timeliness of our client service, combined with the knowledge and experience obtained from decades of working in an international firm environment, all of which is offered to our clients at local practitioner billing rates.
- We believe 1) our experience with and knowledge of financial and accounting issues of, and our service commitment to, the government and not-for-profit sector of American society, particularly those located in Clark County, is substantially greater than that of our competitors, 2) our principals and team leaders are more directly involved with our clients on a continuing basis, and accordingly, are more responsive than our competition, and 3) we give our clients good value for their fee dollar (this means meeting or exceeding client's reasonable expectations, keeping fees as low as possible, and delivering a quality product that can withstand close scrutiny and meet all applicable professional standards).
- We fully understand that audit services performed for entities that receive public and government assistance differ in material respects from traditional financial statement audits performed for "for-profit" business enterprises. The most significant differences are in the accountant's objectives and responsibilities. They are

manifested primarily in the increased awareness of the importance of the client's internal control and the degree of its compliance with certain statutory, regulatory and contractual requirements imposed by its funding sources and others functioning on their behalf. We know that to meet these increased responsibilities, we must have a clear understanding of the complex special standards and requirements and properly apply that understanding.

- We believe that the image of our firm is reflected in the image of our individual clients and prospective clients are screened carefully to ensure that the principals meet our high standards of integrity and business ethics.
- Our careful client screening policy has somewhat mitigated the current economic recession's impact on the Firm and, as a result, PBTk has maintained pre-recession staffing levels, avoided seasonal personnel hiring and termination, and is positioned for the economic recovery that is likely to begin in the relatively near future.
- PBTk is a member of DFK International/USA, an international association of independent accounting and auditing firms. The Firm's membership in this group enhances our worldwide reach, provides us with additional resources, and expands the world of opportunity for our clients.
- PBTk is also a member of the AICPA's Center for Public Company Audit Firms and a registered firm with the Public Company Accounting Oversight Board (PCAOB). As such, PBTk is subject to the most intensive practice monitoring (peer review and inspection) programs.
- PBTk's latest peer review was completed in September 2010, resulted in an unqualified opinion and included various government and not-for-profit engagements.

A copy of this peer review report is included in the attached supplemental information.

PBTK Organization Chart



Engagement Office and Personnel

PBTK principals have been established and practicing in Las Vegas and the regional southwest for periods of up to 43 years and are as follows.

- James Andrus ➤ Jay H. Beltz ➤ Richard H. Bowler ➤ Troy Crowther
- Thomas Donohue ➤ Jeff Edwards ➤ Martha J. Ford ➤ Mark Hashimoto
- Michael W. Kern ➤ Howard B. Levy ➤ William M. Nelson ➤ Kelly G. Parker
- L. Ralph Piercy ➤ Mike Rosten ➤ Scott W. Taylor ➤ James W. Wilcox

Many of PBTK's principals and staff have conducted seminars and undertaken speaking engagements for numerous organizations and have served on committees concerned with government accounting and auditing for the AICPA, the Nevada Society of Certified Public

Accountants and the Government Finance Officers Association. The Firm and individual principals have, among others, the following affiliations:

- American Institute of Certified Public Accountants (AICPA)
- AICPA Center for Audit Quality
- AICPA Government Audit Quality Center
- AICPA Center for Public Company Audit Firms
- Government Finance Officers Association
- Association of Government Accountants
- DFK International/USA
- Nevada Society of Certified Public Accountants
- Public Companies Accounting Oversight Board
- Association of Certified Fraud Examiners

PBTK Personnel		PBTK Government and Not-For-Profit Audit Personnel	
<u>Complement</u>		<u>Profit Audit Personnel</u>	
Las Vegas Office		Las Vegas Office	
Principals	14	Principals	4
Team leaders	18	Team leaders	12
Professional staff	15	Professional staff	11
Administrative staff	<u>10</u>		<u>—</u>
	<u>57</u>		<u>27</u>

PBTK Personnel		PBTK Government and Not-For-Profit Audit Personnel	
<u>Complement</u>		<u>Profit Audit Personnel</u>	
Salt Lake City Satellite Office		Salt Lake City Satellite Office	
Principals	2	Principals	1
Professional staff	<u>2</u>	Professional staff	<u>2</u>
	<u>4</u>		<u>3</u>
Total	<u>61</u>	Total	<u>30</u>

It is PBTK's quality service philosophy to make available more knowledgeable, highly skilled and experienced personnel to provide services for its clients, unlike our competitors and most national firms that customarily push tasks to the lowest staff level or firms that lack the requisite core capacity as a result of an inadequate investment in human resources. PBTK engages in extensive recruitment for proven academic performers who have demonstrated leadership qualities during their years of formal education. General and specialized training programs are attended by all professional staff. Each principal and member of our professional staff is required to participate in a minimum of 80 hours of continuing professional education every two years and, as required by *Government Auditing Standards*, those individuals directly involved with government audits are required to participate in specialized training (24 hours every two years) relating to the government environment and government auditing.

In the past several decades, it has become extremely rare for an organization of any substance not to utilize a computerized general ledger accounting system. Consequently, nearly all of our

audits require the ability to audit such systems and we firmly assert that the Firm's audit staff is fully capable in this regard.

To maintain quality of staff and provide superior service, we strive to maintain continuity of staff on each audit engagement from year-to-year. During the past several years, PBTK has experienced very little turnover, which affords us the luxury of maintaining the composition of the supervisory personnel on audit engagement teams. This ensures the decision-makers are knowledgeable regarding client operations and minimizes the burden on client staff in terms of answering the same questions repeatedly. In addition, because of our Firm's government and not-for-profit practice concentration, the majority of our audit personnel have significant audit experience of such entities.

All services to be provided under this engagement would be performed by personnel from our primary office in Las Vegas, Nevada, who reside in Las Vegas, Nevada and the immediately surrounding communities. It is expected that the engagement will be staffed by fully-dedicated personnel, including three audit principals (Martha J. Ford, Richard H. Bowler and Howard B. Levy), one team leader (Ryan Whitman), and one full-time professional staff member. Other professional staff members would be assigned on a part-time basis as determined to be necessary. Once staff members have been assigned to this engagement, it is our intention to provide continuity of assigned staff throughout the current engagement and for any future periods. It is not anticipated that any sub-contracted, associated or affiliated firms will be involved in this engagement.

Audit Methodology and Procedures Used

For PBTK's entire 21-year history (decades ahead of our competitors), we have utilized a rather sophisticated, risk-based auditing methodology grounded in statistical sampling theory. Howard B. Levy, our Director of Technical Services, is one of the original co-authors of the commercially marketed audit manuals used by PBTK and many other firms both domestically and internationally. Our highly customized proprietary practice aids incorporate this methodology.

Planning is most critical to performing an effective and efficient audit and in meeting the agreed-upon completion date. Our approach to every audit is based upon a careful analysis of particular risks that might lead to material misstatements in the basic financial statements. A *material misstatement* is defined for this purpose, as one that would cause the basic financial statements to be misstated by an amount that we believe would make a difference to the basic financial statement users.

During planning, we gain a comprehensive understanding of the client's organization, management style and abilities, business activities, and industry influences. Inquiries of management and financial statement variance analysis are used to assess risks and to identify areas requiring attention in developing our audit scope, including the determination of the right combination of tests of controls and substantive tests of details needed to gather sufficient evidence to enable us to express our opinion that the basic financial statements are not materially misstated. Because of the inherent characteristics of fraud and other illegal acts, including acts

of noncompliance with federal award requirements, an audit can afford only reasonable, but not absolute, assurance of discovery of such acts that have a material effect on the basic financial statements.

Throughout the engagement, with emphasis on the planning phase, we would expect your staff to assist our audit team as follows:

- Being available to identify and review policies and procedures as they relate to the Organization's accounting systems and our audits
- Being available to identify and review policies and procedures as they relate to program requirements, compliance and internal controls over compliance
- Responding timely to questions regarding internal controls, operating activities, schedules provided by you and other matters
- Preparing timely, accurate, complete and appropriately reconciled schedules, account analyses, documents and other information in accordance with a list we will provide and as subsequently requested

We use analytical and other procedures in the planning stages to identify audit risk areas and likely misstatements requiring adjustments, and to determine audit approach and scope of procedures to be performed. Budgets, trial balances, non-financial ratios, and client-supplied information are the major sources used in developing expectations for analytical procedures in planning.

As discussed previously, planning would include procedures necessary to gain an understanding

of the Organization's activity-level and entity-level internal control and assess the Organization's compliance with laws, regulations, contracts or grant agreements and bond covenants. These procedures typically consist of "walkthroughs," during which we interview various personnel, observe the performance of various processes and examine selected documentation. The results of these procedures, including any matters determined to be significant deficiencies and all material instances of noncompliance, would be included in an additional report that would accompany the basic financial statements. Any matters determined not to be significant deficiencies and all nonmaterial instances of noncompliance would be reported in a separate letter to management. Any instances of possible fraud (sometimes termed "irregularities") or other illegal acts would be reported in writing, without delay, to the highest level of the Organization's management or governing body, as determined appropriate in our judgment.

Examples of these procedures include, but are not limited to, the following:

- Reviewing procedures manuals, budgets and ledgers
- Inquiring of accounting personnel and observing transactions being processed through the system
- Identifying key controls in the accounting system
- Evaluating the effectiveness of key controls in the accounting system
- Testing those key controls indicated by the evaluation described above by statistical sampling or other procedures as appropriate (by testing these controls, we would determine the degree of reliance that can be placed on them and the amount by which such controls may reduce substantive audit procedures)

- Reading and summarizing minutes of the Organization's governing body and committees thereof
- Performing planning inquiries, which includes the use of questionnaires
- Performing selected analytical comparisons to assist in the determination of our audit scope

We use several different types of tests to gather evidence about the assertions, but first we make an overall inherent risk assessment by financial statement line item and assertion. In other words, based on the nature of the line item, its balance and volume and type of transactions, we evaluate the likelihood of material misstatement. For those where the inherent risk of misstatement is determined to be significant, we design and perform control testing, unless the controls are known to be unreliable or when we elect for efficiency purposes to take an all substantive approach. Our control tests first identify the key controls that are in place and that, if operating effectively, would detect or prevent the misstatements. Then through document testing, inquiry of the client's personnel, and direct observation of the functioning controls, we test the operating effectiveness of such key controls. The nature and extent of additional substantive tests of details are influenced by the outcome of the control tests. We never rely entirely on control tests alone when perceived inherent risk is significant. Some testing of details and primary predictive analytics will be performed. The balance between control testing and substantive tests of details, and the particulars of each will vary from year to year so that our audit procedures are appropriately "non-predictive" by the client's personnel.

Statistical sampling would be used where it is determined to be efficient, and analytical

procedures would be applied, sometimes to support and corroborate sampling applications, and sometimes as primary tests, particularly in performing corroborative tests of certain revenue accounts. Sample sizes are dependent upon the assessed level of risk identified in planning, and the related population sizes (transactions, dollar amounts, *etc.*) from which we are sampling.

Depending upon the circumstances identified in audit planning, we will select from a wide variety of substantive analytical procedures and use them as overall, evaluative tests of account balances or classes of transactions, whenever they are judged to contribute effectively and efficiently to the achievement of our audit objectives. Analytical procedures may range from simple comparisons of raw data to complex mathematical models. In addition to their value in audit planning and as a form of overview in the “wrap-up” stage of an audit, analytical procedures are sources of reliable evidential matter when they are judged likely to be effective and efficient, or as corroborative tests to reduce the scope of planned substantive tests of details. Designing and performing effective and efficient substantive analytical procedures requires knowledge of operating characteristics, internal and external factors and the ability to identify and evaluate the plausibility and predictability of relationships among data. For these reasons, analytical procedures ordinarily are designed by, and performed under close direction of experienced personnel. Once we have identified plausible and significant relationships we expect to occur relative to the financial statement assertions, we then identify the data we can use in analytical procedures.

To perform an effective substantive analytical procedure, based on the identified relationships, we obtain or develop reasonable expectations against which account balances or transactions are

compared. The reliability of data used to develop the expectation becomes more or less critical depending on the degree of reliance being placed on the procedure as a substantive test (whether it is primary or corroborative) and the combined assessed levels of inherent and control risk for the financial statement assertion being tested.

Analytical procedures are also used in the final stages of the audit in accordance with auditing standards generally accepted in the United States.

Materiality thresholds will be determined for each opinion unit and will be used, among other factors, to determine sample sizes and in evaluating the results of tests and analytical procedures. Sample sizes will be determined based upon many factors, including a risk assessment based on our judgment and the perceived effectiveness of planned corroborative procedures. Our sample sizes in similar engagements have ordinarily been fewer than 175 items. Other factors that affect sample sizes include certain characteristics of the population to be sampled and the design of the sampling plan.

Non-Attest Services and Preparation of Basic Financial Statements

We would perform accounting and bookkeeping services as necessary or requested, including preparation of draft basic financial statements as defined by Governmental Accounting Standards Board (GASB), Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, in conformity with accounting principles generally accepted in the United States. To prepare the draft financial statements, we

would require the Organization's staff to provide the data and analysis information to be presented in the letter of transmittal, management's discussion and analysis, and statistical tables. It is essential that this information be provided by the Organization to preserve PBTK's independence as the Organization's auditors.

Preparation of draft basic financial statements and any journal entries that may be necessary in that connection are non-attest services that are subject to various limitations under applicable independence requirements. Our responsibility with respect to such financial statements and accompanying information shall be limited solely to matters expressed in our audit reports. In performing the foregoing and any other services, we will not perform or accept responsibility for any management functions or management decisions for the Organization, all of which shall be the sole responsibility of the Organization's management. Therefore, management shall be responsible for establishing and maintaining appropriate internal controls, to evaluate and accept responsibility for any implementation decisions and for assessing the adequacy and results of all non-attest services, and will designate an individual who possesses suitable skill, knowledge, and experience to oversee such services and will advise us, in writing, of such designation. Management shall also be responsible for maintaining internal control that would reasonably assure, among other things, its ability to prepare basic financial statements in accordance with accounting principles generally accepted in the United States, safeguarding of the Organization's resources, compliance with regulatory and contractual requirements and the prevention or detection of fraud or other illegal acts.

Within the last decade, a considerable number of institutions, both large and small, have come to

rely on advanced computer technology as a means for processing large volumes of accounting transactions on a daily basis. Because of this impact and the need to comply with applicable auditing standards, which state that the data processing system must be considered in the course of an audit whenever accounting applications are significant, an analysis of your automated accounting systems would be integrated into our audit plan.

Use of Technology

We make extensive use of technology to protect the confidentiality of our clients' information and to make our audit process more effective and efficient by using 1) electronic spreadsheets to prepare analysis schedules not prepared by your staff and to document the performance of audit tests, 2) sampling software to determine sample sizes, select sample items, and evaluate sample results, and 3) word processing software to prepare file memoranda, letters and reports. Other ways we use technology include, but are not limited to, the following:

- *Remote access* – PBTK utilizes remote access technology (Citrix) to maximize efficiency during fieldwork. This technology affords us the opportunity to access the full resources of PBTK's network (including email) while performing on-site services. To utilize our remote access technology, we require at least one high-speed internet connection in the area designated for use by us from which the engagement team will connect wirelessly via a PBTK-supplied router.
- *"Paperless" audit software* – PBTK has been using highly customized CaseWare audit documentation software for approximately 11 years. Because of our "paperless"

audit approach, we request that all documentation be provided in an electronic format to the extent possible. Although the engagement team is equipped with portable scanning equipment, it is significantly more efficient to receive documents electronically.

- *Computer assisted audit techniques/statistical sampling software* – PBTK currently utilizes IDEA® Data Analysis Software, which allows us to receive, process, and manipulate for audit purposes (data mining) extremely large amounts of data efficiently and includes a statistical sampling module.
- *Online accounting/auditing research tools* – PBTK subscribes to various online accounting and auditing research tools, most notably RIA's *Checkpoint*® and CCH's *Accounting Research Manager*® allowing our on-site engagement team to immediately research potentially complex accounting issues.

PBTK is committed to protecting client confidential and proprietary information. In this regard, the following are some of the data protection protocols employed by the Firm:

- Access to the Firm's client information in our engagement documentation files is subject to the confidentiality provisions of applicable laws, regulations and professional standards. We educate our employees about information protection and confidentiality of client information through orientation by both the administrative and IT staff upon employment and subsequently updated, as necessary for any changes to applicable laws, regulations and professional standards. In addition, PBTK's *Personnel Manual*, which is provided to each employee during the

orientation process and is readily accessible on our internal network, is periodically updated to provide additional specific guidance to employees on client confidentiality and engagement documentation security when working both within and outside of the office.

- Our employees and others under our supervision, if any, are 1) bound by applicable AICPA professional standards and 2) informed that the breach of a client's confidence is grounds for termination, as is stated in PBTk's *Personnel Manual*.

PBTk's approach for securing client information that would be transmitted to us electronically is as follows:

- Emails received are for the intended recipients only and are not accessible by any other member of the Firm. It should be noted that our IT department monitors incoming emails for potentially malicious file attachments, and may occasionally access potentially hazardous emails before allowing them to reach the intended recipient.
- Generally, all information received *via* diskette, flash drive and File Transfer Protocol (FTP) media is immediately downloaded onto a laptop and transferred to the designated client folder and the diskette and/or flash drive are given back to management. We discourage the transmission of information *via* these methods, since the attachment of files *via* email is more efficient and provides better control over the access to and tracking of information.
- Generally, less than ten (10) Firm employees will have access to a client's

information once it is transferred into the designated client folder. Please note that the estimate of PBTk employee involvement also contemplates periodic access by our IT department (for administrative purposes only).

- Logical access to information related to this engagement will be restricted *via* the use of user group profiles. The user group for this engagement will consist of engagement team personnel, a quality control technical reviewer and our IT department (for administrative purposes only), and each member of the user group will have unlimited access and rights (*i. e.*, read, write, execute, *etc.*). The user group is subject to modification based on the evolving circumstances and the needs of the engagement.
- We currently do not use intrusion detection software except for what is built into both our email and remote access systems. However, our IT department closely monitors access and exception logs to verify that only authorized users are granted access.

Continuous operating effectiveness of IT security controls is assured through monitoring by our IT department. PBTk's IT director has been with the Firm since 1997, and has been heavily involved in the design and implementation of our current audit software (CaseWare) and remote access system (Citrix). He attends continuing education courses and security conferences to expand his IT skills and knowledge and improve the Firm's data security measures. He currently holds and maintains the following certifications:

- Microsoft Certified Systems Engineer (MCSE)
- Certified Comp TIA A+ Technician

Executive Summary: Tompkins & Peters CPAs, P.C.

➤ *Section II- Executive Summary*

▪ *Profile of Firm*

Tompkins & Peters CPAs, P.C. is committed to providing our clients with the highest quality of services in a timely manner. We want to help you succeed. The cornerstone to this success is developing a trusted business relationship through responsive and knowledgeable business advice regarding key operating and industry issues facing our clients.

▪ *Firm Differentiation*

Tompkins & Peters CPAs, P.C. takes a unique approach to servicing each individual client based on their specific circumstances and needs. Our approach is to understand our clients' needs and goals. With that knowledge, we in turn tailor our services to assist our clients in navigating through the ever changing and complex world of accounting and business.

Our highly skilled staff is friendly and approachable. We take pride in the relationships we develop with our clients. As a full service CPA firm we are able to provide our clients with assistance in every aspect of their accounting and business needs. We provide services ranging from tax planning and tax return preparation, financial statement preparation ranging from compiled to audited statements, consulting assistance with internal controls, business analysis, business valuations, business operations, strategic planning and more.

At Tompkins & Peters CPAs, P.C. we believe we are our clients partners in success and approach each engagement with our clients' best interest in mind.

- *Firm Qualifications and Experience*

Tompkins & Peters CPAs, P.C. is a full service regional firm with offices in Nevada and Montana. We have been providing services to Non-Profit and Governmental Organizations since 1987. Work pertaining to this engagement will be performed in our Las Vegas, Nevada office. Tompkins & Peters CPAs, P.C. are members of the PCPS (Private Companies Practice Section) and the GAQC (Governmental Audit Quality Center) of the AICPA. **A copy of our recent Peer Review is attached in Appendix A. This review included a review of all audit and financial statements work performed within the peer review period. We are proud to state that we received an unmodified opinion with no letter of comments.** Tompkins & Peters CPAs, P.C. has had no instances of disciplinary action taken or pending against the firm with the Nevada State Board of Accountancy, the Nevada Society of Certified Public Accountants or the American Institute of Certified Public Accountants. Tompkins & Peters CPAs, P.C. and all key professional staff are properly licensed to practice in Nevada.

- *Organization Chart*

For any engagement, our firm has the capability of drawing upon the appropriate level of staff from either our Las Vegas office or any of our three Montana offices. Our staff has the ability to travel between the two states as needed at no additional cost. The sophistication of our technology as described below enables our staff to work remotely from either location. This gives us the flexibility to move work and staff as the needs arise between locations. Our organizational chart can be found at Appendix B.

- *Approach to the Audit*

Tompkins & Peters CPAs, P.C. audit approach is risk based. Risk is assessed in the planning stages of the engagement and reassessed throughout the engagement as it progresses. Risk assessment begins with the development of an understanding of the *workforceCONNECTION* on an entity level and the identification of potential areas of risk that could lead to material misstatements at the financial statement level, or the assertion level for classes of transactions and/or account balances, or disclosures.

This process involves inquiry of appropriate personnel to help develop our understanding of the *workforceCONNECTION* systems and controls, conducting of fraud interviews to uncover potential areas for fraud, and potential areas for impairment of independence. We will develop an understanding of the design and implementation of the internal controls and the systems in place to monitor those internal controls through observation, inspection, reperformance and inquiry. This understanding can be developed in many ways such as the performance of walkthrough of various types of transaction, sampling, analytical procedures, and the review of agreements to determine compliance with terms.

Upon having obtained the appropriate knowledge of the systems and designs of the controls of the *workforceCONNECTION* and taking into account the audit requirement of an element of surprise and unpredictability, specific audit methodology is developed. Based on that knowledge, segmentation of the engagement is determined and staffing and hours assigned may need to be adjusted as nimbleness and flexibility is a key characteristic of any engagement methodology.

▪ *Use of Technology*

Tompkins & Peters CPAs, P.C. uses the latest technology for a secure and reliable network. One of the many systems our firm has incorporated is the use of a client portal. A portal is a private, secure way for our clients to transfer financial information to our firm and to retrieve and review financial information such as financial statements and tax returns from our firm. Portals also allow our clients to reduce printing, postage, and filing costs, and save time with instant document exchange.

Tompkins & Peters CPAs, P.C. uses an accounting system that enables us to function in a paperless environment. Information sent through the portal or via email is imported directly into our software. Scanners are used for any paper documents. All personnel utilize laptops while in the field performing our services and have the ability to remote into our server using a wireless internet connection device and work is performed on our secured server. In addition, all laptops and computers are password protected.

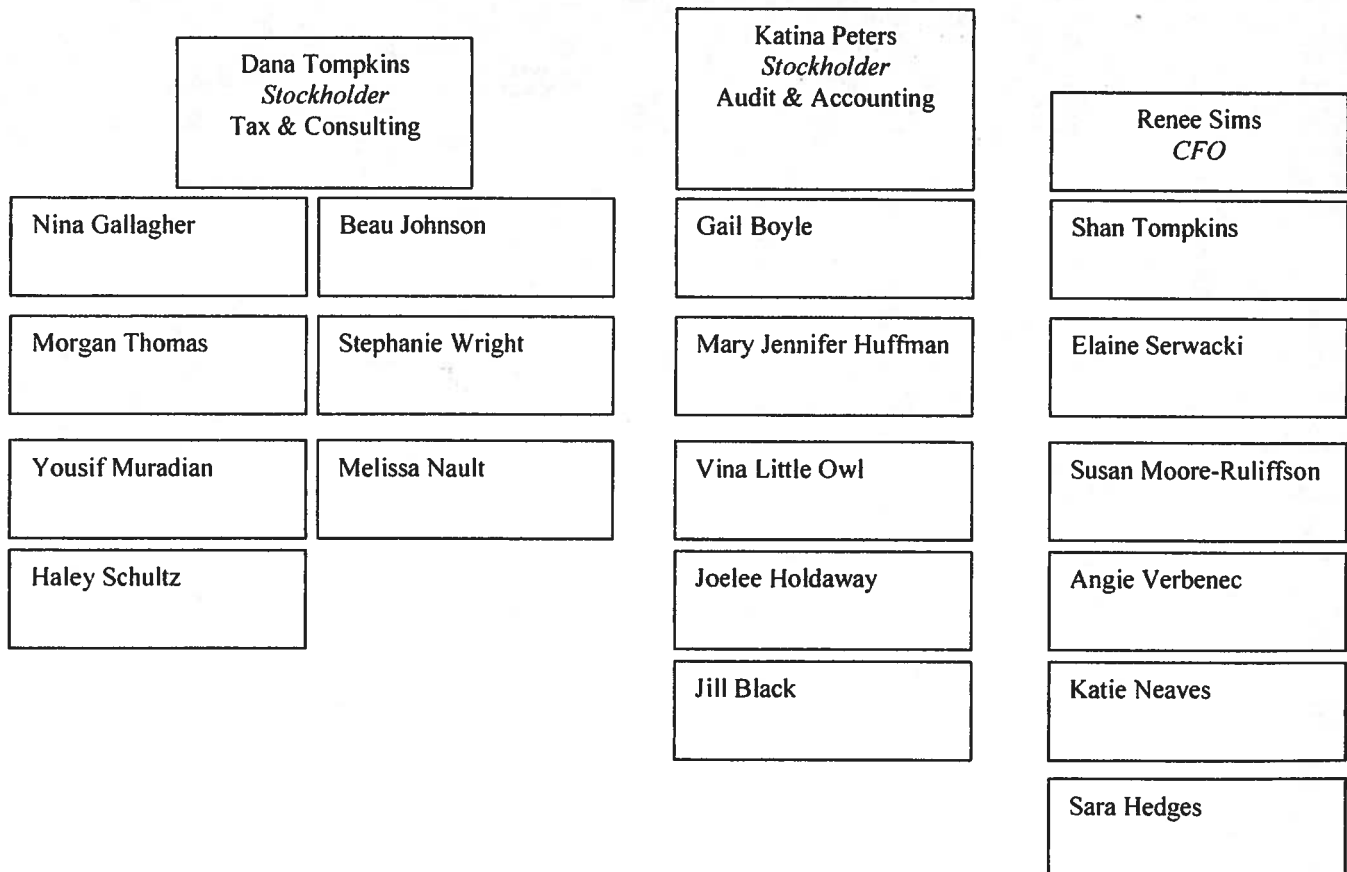
Tompkins & Peters CPAs, P.C. employs only Microsoft Gold Certified technicians with Microsoft Small Business specialist accreditation. Our firm employs one full time IT employee dedicated to security, maintenance and data redundancy for the firm.



Tompkins & Peters ***CPAs, P.C.***

Certified Public Accountants & Advisors

Appendix B – Organization Chart



Executive Summary: Haynie & Company

EXECUTIVE SUMMARY

(a) Years of established business which indicates recent accomplishments:

Haynie & Company was organized in 1976 and continues to experience substantial growth. Haynie & Company was organized in 1976 and continues to experience substantial growth. We are a reputable regional firm with offices located in Salt Lake City and Ogden, Utah (staff of 45), Denver, Colorado (staff of 14) and Newport Beach, California (staff of 22). We have developed a strong network of professional affiliations, which include the International Group of Accounting Firms (IGAF), allowing us to call upon expertise and services of associates from throughout the United States as well as globally to assist in servicing our clients. We are also members of the American Institute of Certified Public Accountants, the Utah Association of Certified Public Accountants, the California Society of Certified Public Accountants, and the Colorado Society of Certified Public Accountants. We offer the experience and expertise of a leading regional firm, combined with the attention and focus of a dedicated local firm.

There are significant reasons why we believe we offer distinctive services:

- We are a leader in the Intermountain Utah, Colorado and Southern California area in providing a full range of external auditing, accounting, income tax, consulting, internal auditing, and management advisory services to a wide variety of small and mid-sized businesses, partnerships, corporations, governmental entities, not-for-profit organizations, benefit plans, service firms, and others. Our firm has extensive experience in auditing and consulting with governmental entities, including the State of Utah, counties, cities, school districts, and special districts. Other industries serviced by our firm include real estate,

property management, retailing, manufacturing, construction and not-for-profit organizations.

- We offer a broad-based management consulting practice composed of highly experienced small business professionals to supplement each engagement. We are ready to assist in virtually any management, operations, or financial area. The service team we have selected—from supervisory senior to partner—has more than fifty years of combined experience with governmental (and other) entities. We are committed to meet all of your service needs on a timely basis immediately and on a continuing long-term basis. We commit to you that our work will always be efficient and to the highest professional standards.
- We will take a “business approach” to our services that will minimize insignificant matters and maximize constructive suggestions.
- Our firm recognizes that we are in a personal service industry and accordingly, we are committed to the development of appropriate relationships with our clients. We understand that proper client service is based upon mutual trust, communication and confidence. Our firm vision is simply “Exceeding Expectations”. We maintain open lines of communication with our audit teams and partners so that our clients can always gain access to them.
- As a firm we offer a full range of external auditing, accounting, income tax, consulting, internal auditing, and management advisory services. Our firm continues to grow by providing traditional CPA services and through dedication to our clients by providing quality service.

- (b) Organizational chart of firm, number of staff, local, regional and/or international operations

<u>Location</u>	<u>Partners</u>	<u>Staff</u>	<u>Total</u>
Salt Lake City, Utah	7	28	35
Ogden, Utah	1	9	10
Denver, Colorado	3	15	18
Newport Beach, California	6	16	22

- (c) The office from which the work is to be staffed is our Salt Lake City, Utah Office. The audit partner in charge will be, Randall J. Jensen, CPA. Consulting Partner will be Nick Warnick, CPA, Senior managers and managers, as needed, will include Kris Cox, CPA, Nate Davis, CPA, and Tyler Curtis, CPA. Senior and staff associates will include Brandon Keyes, CPA, Jeremy Jones, CPA, Johnathan Bush, CPA, Lanse Mortensen, and Tom Reams.

- (d) Range of activities performed by the Salt Lake Offices such as auditing, accounting, tax service, and management service is as follows:

Haynie & Company is a leader in the Intermountain Utah, Colorado and Southern California area in providing a full range of external auditing, accounting, income tax, consulting, internal auditing, and management advisory services to a wide variety of small and mid-sized businesses, partnerships, corporations, governmental entities, not-for-profit organizations, benefit plans, service firms, and others. Our firm has extensive

experience in auditing and consulting with governmental entities, including the State of Utah, counties, cities, school districts, and special districts. Other industries serviced by our firm include real estate, property management, retailing, manufacturing, and construction and not-for-profit organizations. Additional services include performing peer reviews for accounting firms throughout the USA, including accounting firms that perform significant numbers of governmental audits. Haynie & Company has six qualified partners and managers who perform peer reviews. Ray Russell, CPA is chairman of the Colorado Society Peer Review Committee, and the IGAF/Polaris National Peer Review Committee.

(e) Staff capability to audit units of local government and hybrid accounting systems.

Haynie & Company has extensive experience auditing state and local units of government including counties, cities, special districts, not-for-profit entities since its inception, in 1969. This experience includes hybrid accounting systems. The audit team assigned to Workforce Connections has in excess of 60 years of governmental auditing. Haynie & Company was recently selected from a field of 82 applicants to provide Contract Compliance Review Services for the State of Utah regarding WSCA and NASPO contracts that include 15 WSCA member states that includes the State of Nevada.

Our firm has in-depth knowledge and experience in the use of various accounting and asset management systems and software programs from a practical perspective and an audit perspective. During the planning phase of audit engagements, we assess the

information technology risks related to accounting software. We base our assessment on the Control Objectives for Information and related Technology (COBIT) framework, which is the standard framework used for IT control assessments. Based on our assessment, we adjust our audit plan to perform procedures based on the results of our IT assessment.

- (f) Firm's approach to the audit, including use of any association or affiliate member firm personnel and the areas that will receive primary emphasis.

Prior to the start of our preliminary work, we will conduct an engagement planning meeting that will include representatives of the Workforce Connections. At our meeting, we will discuss in greater detail the timing and needs related to the engagement fieldwork and discuss your expectations in order to complete the assignment according to your required completion dates. We anticipate that the timing of the audit work will be as follows:

Audit planning – June / July 2012 – During this process we will perform planning procedures, which include review of the prior audit work papers, management reports, and financial reports. We will review the Workforce Connections preliminary trial balances, general ledgers, legal obligations, and other background information. We will perform preliminary analytical procedures, set preliminary materiality, and assess acceptable audit risk and evaluate inherent risk. We will acquire an understanding of internal controls and assess control risk and related tests.

We will then develop an overall audit plan, along with audit programs, to include internal controls studies, tests of controls, and compliance testing for both federal and state compliance. We will determine audit scopes for financial and substantive testing, including outside confirmations. We will determine the amount of expenditures of federal awards to determine the extent of audit procedures for the single audit.

We would anticipate that Workforce Connections will deliver completed and closed financial statements, trial balance(s), supporting schedules, details, records, etc. to us in auditable condition at a mutually agreed date, leaving adequate time for Haynie & Company to perform the audit.

Audit Field Work – October 2012 – During this time period we will perform our substantive testing related to the financial statements, internal controls, compliance, and other testing. Our tests will include detail testing of all significant accounts and material balances as of year end. We will also review the Workforce Connections' significant processes and internal controls. As required by the State of Nevada, we will perform the audit in accordance with Generally Accepted Government Auditing Standards covering financial audits as reference in Nevada Revised Statutes 354.624 and Department of Labor Administrative regulation 29 CFR 97.26.

The day-to-day team performing the interim and year-end audit fieldwork will consist of a manager, a senior and staff auditor. The senior manager and partner will also be highly

involved with the audit fieldwork. Interim and year-end fieldwork is expected to be completed on-site and will be completed in a timely manner that will allow us to provide our audit opinions prior to the Workforce Connections' deadline.

We will openly communicate the progress and any potential problems or significant issues with the Accounting Manager and other accounting personnel on a regular basis during the planning, fieldwork and reporting phases of the audit. This includes potential deficiencies in the Workforce Connections' internal control structure or operational efficiency, and any findings related to state compliance. We will take great care to ensure all potential issues are vetted out with management prior to reporting these issues to the appropriate level of management.

We are anticipating timely assistance and cooperation from your internal staff as requested. We will assist you in preparing the Schedule of Expenditures of Federal Awards in order to perform planning on required testing on internal controls, compliance, and other testing in accordance with the Single Audit Act Amendments of 1996 (31U.S.C. (7501-7507) and revised OMB Circular A-133. Our sample sizes are generally randomly generated and the sample size is determined in accordance with AICPA and OMB Circular A-133 requirements.

Report Completion and Delivery – As discussed above, we anticipate the delivery of the audit report on or before December 14, 2012. We will express an opinion on the fair presentation of the basic financial statements of Workforce Connections, including

governmental activities, each major fund, and the aggregate remaining fund information in conformity with generally accepted accounting principles. We will provide an “in-relation-to” opinion on the supporting schedules based on the auditing procedures applied during the audit of the basic financial statements and schedules

We will issue a compliance report based on an audit of the basic financial statements and a report on the internal control structure; both in accordance with *Government Auditing Standards*.

We will prepare and include a statement expressing positive assurance of compliance with fiscal laws identified by the state and other financial issues related to the expenditure of funds received from federal, state, or local governments.

We will prepare a comprehensive management letter including our findings and recommendations relative to the internal accounting and administrative controls, compliance with laws and regulations as applicable, and adherence to generally accepted accounting principles.

We will include the written responses from the Workforce Connections for each recommendation included in the state compliance letter and the management letter as required.

For the single audit completed in accordance with the Single Audit Act, we will also examine the financial systems and records as they relate to the various federal grants and agreements and shall issue auditor's reports on internal and administrative control and on compliance with federal and state laws and regulations as required by generally accepted auditing standards promulgated by the AICPA. The Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on compliance and internal controls, will be issued as part of the annual financial report.

The above schedule is subject to your review and input. The timing can be modified to complete the audit and meet your expectations.