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PERFORMANCE REVIEW WEST VIRGINIA PURCHASING DIVISION

AUDIT OVERVIEW

To Address An Accounting Firm's Costly Errors, the Department of Administration Imposed Requirements on State Agencies Contracting Accounting Firms that Restrict Trade and Do Not Address the Issue of Competency.



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**John Sylvia
Director**

September 12, 2021

The Honorable Mark Maynard
West Virginia State Senate
Building 1, Room 217-W
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0470

The Honorable Brandon Steele
West Virginia House of Delegates
Building 1, Room E-213
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0470

Dear Chairs:

We are transmitting a Performance Review of the Department of Administration's Purchasing Division for your consideration. The issue covered herein is *"To Address an Accounting Firm's Costly Errors, the Department of Administration Imposed Requirements on State Agencies Contracting Accounting Firms that Restrict Trade and Do Not Address the Issue of Competency."*

We transmitted a draft copy of the report to the Department of Administration on August 18, 2021 and received the agency response on August 25, 2021.

Let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "John Sylvia".

John Sylvia

Joint Committee on Government and Finance

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EXECUTIVE SUMMARY

The Performance Evaluation and Research Division within the Office of the Legislative Auditor conducted a performance review of the Department of Administration's (DOA) Purchasing Division pursuant to West Virginia Code §4-10-8. The objective of this audit was to determine if the Purchasing Division made changes to the minimum requirements for audits of public agencies in an objective (impartial) and transparent manner to ensure minimal impact to West Virginia based accounting firms and state agencies impacted by the new requirements.

Frequently Used Acronyms

DOA – Department of Administration

CFO – Chief Financial Officer

PERD – Performance Evaluation and Research Division

Report Highlights:

Issue 1: To Address an Accounting Firm's Costly Errors, the Department of Administration Imposed Requirements on State Agencies Contracting Accounting Firms that Restrict Trade and Do Not Address the Issue of Competency.

- The DOA established mandatory qualifications and requirements that audit firms had to meet to be eligible to bid on audits that are components of the CAFR.
- The DOA developed the new requirements by considering the input of only three large accounting firms (one being out-of-state) that are ultimately unaffected by the new criteria.
- The DOA's qualifications suggest that large accounting firms are more competent, which may not be the case since the new requirements were precipitated by the errors of a relatively large accounting firm.
- The DOA's qualifications effectively ban, at a minimum, 97 auditing firms from bidding on audits of state agencies.

PERD's Response to the Agency's Written Response

On August 25, 2021 PERD received a written response to the report from the Secretary of the Department of Administration, which can be found in Appendix C. The agency generally agrees with recommendations as the Secretary stated that they "*intend to address both issues, and we thank you for calling them to our attention.*" However, the Secretary did include additional explanation regarding the vendor highlighted in the report.

Agency Response: The Secretary of the Department of Administration stated that the "poor work product of a single firm was not the catalyst for creating mandatory minimum requirements" and the "*problematic firm was used as an example to illustrate the types of negative issues that can occur when inadequately staffed firms fail to deliver a quality product, or more importantly, fail to meet deadlines.*"

PERD Response: Although the Legislative Auditor appreciates the Secretary clarifying that the problematic vendor is only an example, this does not change the overall conclusions and recommendations. The Legislative Auditor continues to believe that minimum qualifications are appropriate, but that the qualifications should be created with input from affected parties to the greatest extent possible. The qualifications should also encourage competition and not restrict trade. Moreover, the Legislative Auditor also believes that, even if used as an example, the vendor should be considered for suspension and/or debarment given the magnitude of the errors.

Recommendations

1. *The Legislative Auditor recommends the DOA convene a workgroup representing a cross section of the accounting industry and revisit the mandatory requirements to ensure they are reasonable and do not cause unintended consequences on state agencies and accounting firms.*
2. *The Legislative Auditor recommends the Purchasing Division initiate suspension and/or debarment procedures against the vendor that triggered the mandatory requirements and all such firms in the future.*

ISSUE 1

To Address an Accounting Firm’s Costly Errors, the Department of Administration Imposed Requirements on State Agencies Contracting Accounting Firms that Restrict Trade and Do Not Address the Issue of Competency.

Issue Summary

In response to costly errors made by an audit firm in 2019 audits of two state agencies that were components of the 2019 State Comprehensive Annual Financial Report (CAFR), the Department of Administration (DOA) established mandatory qualifications and requirements that audit firms had to meet to be eligible to bid on audits that are components of the CAFR. Prior to these changes, there were no uniform requirements for state agencies to follow in contracting accounting firms. The rationale for imposing these requirements was to prevent incompetent firms from making substantive errors in audits of state agencies. While having uniform requirements is reasonable, the DOA developed the new requirements by considering the input of only three large accounting firms (one being out-of-state) that are ultimately unaffected by the new criteria. The requirements are competitively restrictive in that the number of audit staff required are biased towards relatively large accounting firms. PERD finds that the audit staff requirement effectively eliminates the majority of in-state firms from bidding on audit contracts that are part of the CAFR. More importantly, the DOA’s qualifications suggest that large accounting firms are more competent, which may not be the case since the new requirements were precipitated by the errors of a relatively large accounting firm. The Legislative Auditor concludes that the DOA should revisit the new requirements to ensure they are fair to a cross section of the accounting industry, and since the new requirements do not guarantee the elimination of costly errors in the future, the DOA should consider imposing a suspension or debarment process against firms that make costly accounting errors, beginning with the firm in question.

The DOA developed the new requirements by considering the input of only three large accounting firms (one being out-of-state) that are ultimately unaffected by the new criteria.

The Department of Administration Established Mandatory Requirements For Firms Auditing Public Agencies Without Soliciting Input From Impacted Agencies or Vendors.

In November 2019, the chief financial officer (CFO) for the Department of Administration, in conjunction with the director of the Purchasing Division, issued mandatory requirements that firms conducting audits of public agencies that feed into the State’s Comprehensive Annual Financial Report (CAFR) must meet. The minimum qualifications were initially created by the CFO with input from the Purchasing Director. The CFO then sought input from three potential vendors. However, PERD

notes that not only do the three vendors win a significant amount of bids, the vendors providing input into the qualifications also meet the new criteria and are thus unaffected. The minimum qualifications include:

1. The firm must be independent and licensed to practice in West Virginia.
2. All directors, principals or partner equivalents on the engagement must be licensed CPA's with at least five years audit experience with government entities. All manager-level employees on the engagement must be CPA's with three years experience on government engagements. The state agency retains the right to approve or reject replacements based on their qualifications, experience or performance.
3. The firm must have experience auditing/consulting with three different state (does not have to be West Virginia) government entities (agencies) over the past five years. The firm must submit a list of those state audits/consulting engagements.
4. The firm shall submit a statement that it has not failed its two most recent AICPA Peer Reviews of its audit/accounting practice and submit the most recent review with its proposal.
5. The firm must have at least seven licensed CPA's on staff within the audit firm that are strictly audit and not tax professionals. This insures a firm that has a breadth of experience that we are looking for and can substitute engagement members should turnover occur. At least five of these audit professionals must be in the same location and cannot be spread among other firm locations.
6. The firm must not have had a final audit issued by the proposing firm that had to be reissued due to material errors or omissions discovered by West Virginia Financial Accounting and Reporting Section or other West Virginia state agency two times or more.
7. The firm must provide a statement that it is a member in good standing of the AICPA's Governmental Audit Quality Center.

Two reasons triggered the need for these qualifications. The first reason was a series of late CAFRs. The second reason was an auditing firm with significant, repeated errors in audits of financial statements of a variety of state agencies.

Per the CFO, two reasons triggered the need for these qualifications. The first reason was a series of late CAFRs. The CAFRs were late as the result of late submissions¹ of closing books and financial audits to the DOA's Division of Finance (which assembles them into the CAFR). Ultimately, the late CAFRs led to late Single State Audits and significant financial penalties levied on colleges and universities in West Virginia. The second reason was an auditing firm with significant, repeated errors in audits of financial statements of a variety of state agencies. The CFO

¹The CFO was unable to provide a reason as to why the annual audits were late (e.g. agency delay or audit firm delay).

stated: “The mandatory minimum standards are intended, in part, to prevent incompetent firms that make substantive, expensive errors of this nature from auditing state agencies.” This is consistent with recommended practices by the Government Finance Officers’ Association which state that the “audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor’s ability to perform a quality audit...[and] an independent auditor should have a demonstrated commitment to the state and local government audit practice.” **The Legislative Auditor agrees that the need for qualifications for audits of public agencies and preventing incompetent firms from auditing agencies are, in and of themselves, not unreasonable ideas.**

Underscoring the need for qualifications, the American Institute of Certified Public Accountants (AICPA) states in its Practice Aid for Procuring Government Auditing Services that it is necessary to “identify the attributes necessary in an auditor.” The AICPA also provides a list of potential attributes to consider, several of which the DOA incorporated into the mandatory requirements:

1. “Does the auditor have experience with entities similar to yours?”
2. Does the auditor have experience with performing the type of audit that your organization needs (e.g., under Government Auditing Standards, single audit requirements, or a specific federal audit guide).
3. Does it appear that the auditor is committed to quality (e.g., participation in the peer review process, participation in other quality control programs like the AICPA’s GAQC, etc.)?
4. Are the auditor and firm licensed and independent?”

Moreover, W. Va. Code §5A-3-5 also contemplates the need for standards by stating that the Director of the Purchasing Division “shall promulgate and adopt standard specifications for...services.” However, as further explained in the Purchasing Division’s Handbook, “specifications must not be overly restrictive...or...vague. Written specifications are required to facilitate bidding for purchases of \$10,000 or more to ensure vendors are being provided a fair opportunity to quote comparable products.”

Although the Legislative Auditor believes establishing minimum qualifications is reasonable, the process used by the DOA, wherein only three potential vendors were allowed input and no impacted state government agencies were included, is concerning and may have restricted competition from small bidders. As stated in the Purchasing Division Handbook, “To gain a better understanding of the commodity or service needed before any steps are taken to prepare a solicitation, the agency should analyze industry standards for the

The need for qualifications for audits of public agencies and preventing incompetent firms from auditing agencies are, in and of themselves, not unreasonable ideas.

The process used by the DOA, wherein only three potential vendors were allowed input and no impacted state government agencies were included, is concerning and may have restricted competition from small bidders.

commodity or service, research the market for vendors who can supply the commodity or service, and more.” The research suggested by the Purchasing Division Handbook includes independent research, **consulting agency experts**, and **communication with multiple vendors in the market**. Thus, without sufficient research, the mandatory qualifications are subjective.

It should be noted that the inclusion of a variety of individuals is also encouraged by the AICPA, West Virginia Code, and the Government Finance Officers Association. Specifically, the AICPA states “*consider consulting with others in your organization or industry when developing your RFP to ensure that everything necessary has been addressed.*” Similarly, W. Va. Code §5A-3-6 states that “*the secretary may from time to time request any official or employee of any spending unit to aid and advise the director in formulating, revising or amending the schedule of standard specifications....*” The Government Finance Officers Association states: “*Allowing firms to identify areas of concern, and having a dialogue during the procurement process would allow for contracts that meet professional standards, are appropriately tailored to the nature of the services, and meet the needs of the government.*” **Thus, given that the AICPA, West Virginia Code, and the Purchasing Division expect research and inclusion, it is reasonable to expect input from vendors and impacted agencies. However, it is concerning that the process by which the CFO established the mandatory standards was not transparent or inclusive, and inconsistent with the spirit of the AICPA guidelines, West Virginia Code, and Government Finance Officers Association thus resulting in subjective standards.**

An open and transparent process is necessary to ensure that the agency receives a quality audit at a reasonable price, without excluding potential vendors. The AICPA echoes this in the Auditee Resource Center Practice Aid for Procuring Governmental Audit Services: “*encouraging as many qualified auditors as possible to submit a proposal for auditing your organization increases the likelihood that you will receive a quality audit at a fair price.*” By establishing qualifications outside a public forum and not receiving input from a variety of affected parties, the qualifications become subjective. Moreover, the DOA may inadvertently increase the cost of auditing services for state agencies because: 1) fewer firms will likely bid given the restrictions, and 2) those bidding will likely be significantly larger firms given the mandatory team and office sizes and possibly more expensive. **The Legislative Auditor recommends the DOA convene a workgroup representing a cross section of affected entities to operate in a public forum and revisit the mandatory requirements to ensure they are reasonable and do not cause unintended consequences on state agencies and auditing firms.**

Without sufficient research, the mandatory qualifications are subjective.

The DOA may inadvertently increase the cost of auditing services for state agencies because: 1) fewer firms will likely bid given the restrictions, and 2) those bidding will likely be significantly larger firms given the mandatory team and office sizes and possibly more expensive.

Most of the Minimum Qualifications Unfairly Restrict Small Firms from Bidding and Do Not Address Issues with the Vendor Cited for Poor Performance.

A central notion to the establishment of qualifications is to ensure competence and audit quality because of prior problems with one vendor. However, several of the minimum qualifications would not prevent the vendor in question from continuing to bid for the following reasons.

- The vendor has an active license.
- The directors and principals and the staff associated are licensed.
- The firm has conducted at least six engagements with West Virginia alone and three within the past five years.
- The firm in question has 26 CPAs.
- The firm did pass the most recent two peer reviews.
- The firm is in good standing with the AICPA's Governmental Audit Quality Center.

Several of the minimum qualifications would not prevent the vendor in question from continuing to bid for the following reasons.

In fact, the vendor in question meets all criteria established by the DOA except for having final audits reissued². Moreover, the requirement that a firm must have at least seven licensed CPAs on staff who do strictly audits is restrictive for many audit firms and the requirement does not address competency, which is the stated reason for DOA requiring minimum qualifications. In fact, the CFO stated that the staffing requirements were established based on experience, not on an industry standard. This bolsters the idea (discussed in detail in the next section) that the State should hold a problematic vendor accountable for costly errors through suspension or debarment.

The Legislative Auditor is also concerned that the DOA did not conduct an analysis of the impact of the minimum qualifications. This is an important component to ensuring the standards are reasonable and competition is not unduly restricted. Per the AICPA, some qualifications the DOA requires are expected of any entity bidding on an audit of a state agency and are not restrictive: the firm and staff are licensed and experienced, the firm is in good standing with professional organizations, and has passed a peer review. However, the qualification that a firm bidding for an audit of a state agency must have seven CPAs on staff with five in the same office significantly restricts the number of firms in West Virginia eligible to bid. In fact, as shown in Table 1, 97 CPA offices (the majority) within the state have five or fewer CPAs and thus are unable to bid, regardless of competence. **Rather than act against a vendor for performance issues, the DOA effectively banned most in-state CPA firms from being able to bid on audits of public agencies.**

²PERD was unable to evaluate the criterion that at least five CPAs must be in the same physical office due to lack of information.

Number of Licensees	In-State Firms	Out-Of-State Firms
1-5	97	57
6-10	13	15
10+	10	82
Total	120	154

Source: West Virginia Board of Accountancy.

Using staffing level as a requirement for firms auditing public agencies unfairly restricts trade, does not ensure against vendor incompetence, and effectively bans at least 97 firms from bidding on audits of state agencies.

Also, as shown in Table 1, the staff size standard not only eliminates most in-state firms from bidding, but also favors both large and out-of-state firms. It should be noted that, although the DOA stated its intent is not to restrict competition, the only firms consulted by the CFO were large firms (with one out-of-state). Moreover, the firm that made costly mistakes is a large firm (26 CPAs per the company's website). **The Legislative Auditor concludes that using staffing level as a requirement for firms auditing public agencies unfairly restricts trade, does not ensure against vendor incompetence, and effectively bans at least 97 West Virginia firms from bidding on audits of state agencies.**

It should be noted that the three vendors consulted by the CFO conducted a significant amount of business with the State prior to the new criteria as well as after. From FY 2017 through FY 2019 two vendors accounted for 10.5 percent and 15.8 percent of winning auditing bids for centralized contracts while the third accounted for 20 percent of winning bids for agency delegated contracts. Moreover, after the new criteria, the firms continue to win a high percent of bids, with two winning 16.7 percent and 33.3 percent of centralized contracts and one winning 20 percent of agency delegated contracts. Overall, from FY 2017 through FY 2020 two vendors won 16 percent (each) of agency delegated bids and the third won 16 percent of centralized bids. **The Legislative Auditor is concerned that the three vendors providing input into minimum qualifications already conducted significant business with state agencies prior to the new criteria. Consequently, by assisting in setting standards they are certain to meet, the vendors had an unfair opportunity to restrict future competition for audits of public agencies, thus potentially ensuring themselves an increased number of business opportunities via elimination of competition.**

Overall, from FY 2017 through FY 2021 two vendors won 16 percent (each) of agency delegated bids and the third won 16 percent of centralized bids.

Problematic Vendor Could Be Penalized Using Suspension or Debarment.

One of the reasons cited as the need for mandatory requirements was one entity repeatedly made errors in audit work that required significant adjustments to financial statements and unexpected expenditures. In one instance, this resulted in a \$500,000 downward adjustment to an agency's net position for FY 2019. Moreover, this was also a significant financial expense as well because the agency spent approximately \$75,000 for a second audit firm to reevaluate the FY 2019 financial position. While significant, this incident was not the largest. The same auditing firm made errors in a second financial audit of a separate agency in FY 2019. In the second instance, the vendor understated an agency's General Fund balance by \$1.75 million and a second fund by \$38.87 million, for a combined understatement of \$40.63 million of the Government-Wide Net Position. The estimated cost of identifying and correcting the mistake was \$11,000. However, rather than establishing subjective minimum qualifications that penalize many accounting firms, the Purchasing Division could have addressed the vendor issues via suspension or debarment. Based on the information provided to PERD, the consistency and significance of the errors likely warrant the debarment of the vendor instead of suspension. This is because, per W. Va. §5A-3-33D(8)(D), a vendor may be debarred for "a repeated pattern or practice of failure to perform so serious and compelling as to justify" the action. **Thus, the Legislative Auditor recommends the Purchasing Division initiate suspension and/or debarment procedures against the vendor that triggered the mandatory requirements and all such firms in the future.**

The vendor understated an agency's General Fund balance by \$1.75 million and a second fund by \$38.87 million, for a combined understatement of \$40.63 million of the Government-Wide Net Position.

Subjective Qualifications Could Expose the State to Legal Action.

Another area of concern is that the establishment of subjective standards could expose the State to legal action. Prior court action found that the Purchasing Division (and awarding agencies), have a "clear legal duty to assure that RFPs and RFQs are in compliance with the fair competition provisions of West Virginia Code, Chapter 5A, Article 3, regarding purchasing and are based on specifications that are fair and even and which do not give an unfair advantage to certain potential bidders." The court decision is of particular importance as it is the result of a lawsuit brought by an accounting firm that was not awarded an audit of a state agency because of standards that were found to be arbitrary and capricious. The court ultimately enjoined the State from awarding the contract for the audit, pending revised terminology, thus underscoring the need for an inclusive process and objective standards.

Subjective standards could expose the State to legal action.

Conclusion

Without input from a wide array of interested parties, including impacted agencies and potential bidders, the DOA's minimum qualifications are subjective. Moreover, the requirements restrict competition by eliminating most in-state firms from bidding and may result in increased audit costs. However, it is not unreasonable to promulgate minimum qualifications for firms auditing public agencies to ensure uniformity and reduce the risk of substantial errors. Yet, the qualifications should be created in an open and transparent manner and should not unduly restrict competition. Moreover, the process should include representatives from affected parties, even entities that may no longer be able to bid. Such a process would enable the DOA to obtain a quality audit without arbitrarily restricting competition. In addition, rather than penalizing 97 firms for one firm's mistakes, the DOA should have taken action against the firm with poor performance.

Rather than penalizing 97 firms for one firm's mistakes, the DOA should have taken action against the firm with poor performance.

Recommendations

1. *The Legislative Auditor recommends the DOA convene a workgroup representing a cross section of the accounting industry and revisit the mandatory requirements to ensure they are reasonable and do not cause unintended consequences on state agencies and accounting firms.*
2. *The Legislative Auditor recommends the Purchasing Division initiate suspension and/or debarment procedures against the vendor that triggered the mandatory requirements and all such firms in the future.*

Appendix A Transmittal Letter

WEST VIRGINIA LEGISLATIVE *Performance Evaluation and Research Division*

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(304) 347-4890



John Sylvia
Director

August 18, 2021

Allan McVey, Cabinet Secretary
Department of Administration
Building 1, Room E119
1900 Kanawha Blvd East
Charleston, WV 25301


Dear Secretary McVey:

This is to transmit a draft copy of the performance audit of the State's procurement of audits of state agencies. This report is tentatively scheduled to be presented during the September 12 through 14 interim meetings of the Joint Committee on Government Operations, and the Joint Committee on Government Organization. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions committee members may have during or after the meeting.

If you would like to schedule an exit conference to discuss any concerns you may have with the report, please notify us by Monday, August 23, 2021. In addition, we need your written response by noon on August 27, 2021 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 304-340-3192 by Thursday, September 9, 2021 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. However, the Legislative Auditor advises that you inform any non-state government entity of the content of this report if that entity is unfavorably described, and request that it not disclose the content of the report to anyone unaffiliated with its organization. Thank you for your cooperation.

Sincerely,


John Sylvia

Enclosure

C: Michael Sheets, Purchasing Division Director

Appendix B

Objective, Scope and Methodology

The Performance Evaluation and Research Division within the Office of the Legislative Auditor conducted a performance review of the Department of Administration's (DOA) Purchasing Division pursuant to West Virginia Code §4-10-8. The Division of Purchasing is the centralized unit of state government responsible for the procurement of goods and services for state agencies of the executive branch, except for higher education and DOH construction.

Objective

The objective of this audit was to determine if the Purchasing Division made changes to the minimum requirements for audits of public agencies in an objective (impartial) and transparent manner to ensure minimal impact to West Virginia based accounting firms and state agencies impacted by the new requirements.

Scope

The scope of the audit was FY 2017 to FY 2021 and included a review of the changes in minimum requirements for audits of public agencies.

Methodology

PERD gathered and analyzed several sources of information to assess the process for establishing minimum standards for audits of state agencies. The information included testimonial evidence gathered through interviews with the Director of the Purchasing Division and the Chief Financial Officer of the Department of Administration. In addition, corroborating information was obtained through email and official correspondence, as well through confirmation with other entities.

PERD staff received copies of purchase order for audits of public agencies from both before and after the establishment of minimum standards. PERD used this information to review which firms were winning bidders before after the changes. In addition, PERD reviewed a list of audits for bid from FY 2017 through FY 2020. PERD used this list to calculate the percentage of bids won by the firms providing input into the minimum standards.

In addition, PERD staff contacted personnel from the Board of Accountancy to obtain information regarding the staff sizes of public accounting firms within West Virginia. This information was then used to calculate the number of businesses no longer eligible to bid on audits of public agencies.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C

Agency Response



STATE OF WEST VIRGINIA DEPARTMENT OF ADMINISTRATION

ALLAN L. MCVEY
CABINET SECRETARY

John Sylvia, Director
1900 Kanawha Blvd. East
Building 1, Room W-314
Charleston, WV 25305-0610

August 23, 2021

Dear Director Sylvia:

The Department of Administration thanks you for the opportunity to respond to your Purchasing Division Audit Draft Report.

The most recent mandatory minimum requirements were created before the discovery of the "Accounting Firm's" errors referenced in Issue 1.

It should be clear that there have always been "mandatory qualifications and requirements that audit firms had to meet to be eligible to bid on audits." Indeed, every solicitation for any service or good must contain mandatory minimum requirements.

The following exchange between your office and ours indicates that these standards were created only "in part" to prevent incompetent firms from making substantive errors in audits of state agencies.

- **You also discovered that some audits performed by at least one firm did not contain the mandatory Generally Accepted Auditing Standards ("GAAS") language required in audits of governmental entities.**

The lack of GAAS language was a problem with the end product of one firm's audit. This is a standard feature of audits performed on government entities. The mandatory minimum standards are intended, in part, to prevent incompetent firms that make substantive, expensive errors of this nature from auditing state agencies.

The poor work product of a single firm was not the catalyst for creating mandatory minimum requirements.

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EQUAL OPPORTUNITY EMPLOYER

In exchanges between our offices, the problematic firm was used as an example to illustrate the types of negative issues that can occur when inadequately staffed firms fail to deliver a quality product, or more importantly, fail to meet deadlines.

The Department of Administration appreciates the two recommendations in the Legislative Auditor's Report. We intend to address both issues, and we thank you for calling them to our attention.

Sincerely,

A handwritten signature in blue ink that reads "Allan L. McVey". The signature is written in a cursive style with a large, prominent "M" and "V".

Allan L. McVey
Cabinet Secretary
WV Department of Administration



WEST VIRGINIA LEGISLATIVE AUDITOR

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