

PROFESSIONAL SERVICES AGREEMENT
FOR AUDITING SERVICES

THIS Professional Services Agreement for Auditing Services (this “**Agreement**”) is made and entered into this 10 day of September, 2019 (the “**Effective Date**”), by and among **MISSISSIPPI LOTTERY CORPORATION**, a Mississippi corporation (the “**Corporation**”), and BKD, LLP, d/b/a BKD CPAs and Advisors, a Missouri limited liability partnership (the “**Firm**”), and Mississippi Office of the State Auditor (the “**OSA**”). The Corporation, the Firm and OSA are sometimes referred to herein individually as a “**Party**” or collectively as the “**Parties.**”

RECITALS

WHEREAS, the Alyce G. Clarke Mississippi Lottery Law, Senate Bill 2001 (First Extraordinary Session 2018) (the “**Act**”), created the Corporation to organize a lottery in the State of Mississippi;

WHEREAS, the Corporation issued a Request for Proposals for comprehensive accounting and auditing services, attached hereto as Exhibit A and incorporated herein by reference (the “**RFP**”);

WHEREAS, the Firm submitted the proposal dated May 6, 2019, attached hereto as Exhibit B and incorporated herein by reference (the “**Proposal**”) in response to the RFP; and

WHEREAS, subject to the terms and conditions hereinafter set forth, the Corporation desires to retain the Firm to provide auditing services to the Corporation, and the Corporation desires to perform such services for the Corporation.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the Corporation and the Firm, intending to be legally bound, hereby agree as follows:

1. **Services.** Subject to the terms and conditions set forth in this Agreement, the Corporation retains the Firm to provide audit services to the Corporation as contemplated by the RFP and the Proposal, and the Firm agrees to provide such services to the Corporation.
2. **Scope of Services.** The auditing services and related terms and conditions to be performed by the Firm at the request of the Corporation (the “**Services**”) are included in Exhibit C for the year ending June 30, 2019 and fully incorporated into this Agreement. The Firm anticipates providing similar additional exhibits to the Corporation prior to each successive audit (June 30, 2020 and 2021 plus any extensions) or for other work requested by the Corporation. In addition, the Firm agrees to:

- i. Present the audit report and opinion to the Corporation within ninety (90) days after the close of the Corporation's fiscal year; and
- ii. Provide eight (8) bound copies of the audited financial statement, books, and records to the Board each year at the Firm's expense.

3. Term.

- a. Unless sooner terminated in accordance with the provisions of Section 17 or other provisions of this Agreement, the term of this Agreement shall commence on the Effective Date and shall continue for a period of three years (the "**Initial Term**"), subject to one (1) two (2) year extension of the term of this Agreement (the "**Extension Option**") as set forth below. The Initial Term plus any extension shall be collectively referred to herein as the "**Term.**"
- b. At the sole option of the Corporation, the Corporation may exercise the Extension Option by providing notice of same to the Firm no later than one hundred eighty (180) days prior to the expiration of the Initial Term.
- c. Pursuant to Section 45 of the Act, the Firm shall not be eligible to receive a consecutive engagement beyond the five-year period described herein.
- d. The Firm shall cooperate fully and in good faith and shall assist the Corporation and the new accounting and auditing firm, in accordance with professional standards , upon the expiration of this Agreement, at no cost to the Corporation.

4. Compensation. The Firm will submit to the Corporation, on a quarterly basis beginning subsequent to the quarter ending June 30, 2019, invoices for its professional services. Its rates shall be on an hourly basis, as follows:

Partner	\$300-450
Manager	\$200-350
Senior	\$175-225
Staff	\$135-175

Provided, however, that (a) the Firm agrees to make reasonable efforts to provide the Services in a manner that will achieve an average hourly rate of \$175 per hour and (b) that the Firm's fees for Services and fees for Services under that certain Professional Services Agreement for Accounting Services shall not, in the aggregate, exceed the following: \$30,000 for the Corporation's Fiscal Year ending June 30, 2019; \$75,000 for the Corporation's Fiscal Year ending June 30, 2020; and \$100,000 for the Corporation's Fiscal Year ending June 30, 2021, and for each subsequent year.

The Firm's fees may also increase if the Firm's duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards.

The Firm may suspend or terminate services if any invoice is not paid within 45 days of receipt. The Firm is not responsible to the Corporation for any consequences of nonpayment.

5. Work Standards.

- a. The Firm hereby agrees that it shall at all times comply with and abide by all the terms and conditions set forth in this Agreement, all requirements of the Act and applicable laws and regulations. The Firm further agrees that it shall perform its duties and responsibilities as set forth in this Agreement by following and applying the highest professional standards.
- b. The Firm agrees to comply with all applicable rules, policies, procedures and regulations adopted from time to time by the Corporation pursuant to the Act and all other applicable federal, state and local laws, rules, regulations, ordinances or executive orders.
- c. If the Corporation becomes dissatisfied with the work product or the working relationship with any of the individuals assigned to perform services under this Agreement, the Corporation may require the prompt replacement of any or all such individuals in such capacities.
- d. The Firm hereby designates Wil Crawford or such other person or persons as it may designate from time to time by notice to the Corporation, as its primary contact with the Corporation for purposes of this Agreement.

6. Changes in Work. By written or oral request by the President or his designee(s) the the firm, the Corporation may from time to time make changes in the Services; provided, however, to the extent any such changes are outside the scope of this Agreement, the Corporation and the Firm shall in good faith negotiate mutually acceptable terms and compensation.

7. Conflict of Interest. The Firm covenants that it shall not during or after the Term directly or indirectly engage or be concerned or interested in any business or activity which would create a conflict in the manner or degree of performance of Services required by this Agreement or otherwise would conflict with the interests of the Corporation.

8. Independent Contractor.

- a. Both the Corporation and the Firm, in the performance of this Agreement, will be acting in their own separate capacities and not as agents, employees, partners, joint venturers or associates of one another. The employees or agents of one Party shall not be deemed to be construed to

be employees, agents or partners of the other Party for any purposes whatsoever. Neither Party will assume any liability for any injury (including death) to any persons, or any damage to any property or other claim arising out of the acts or omissions of the other Party or any of its agents or employees. It is expressly understood and agreed that the Firm is an independent contractor of the Corporation in all manners and respects and that neither Party to this Agreement is authorized to bind the other Party to any liability or obligation or to present that it has any such authority.

- b. The Firm shall be solely responsible for all compensation, withholding taxes and benefits for its employees and for providing all necessary unemployment and workmen's compensation insurance for its employees.

9. **Assignment.** The Firm may not assign any right or obligation under this Agreement without the prior written consent of the Corporation.

10. **Publicity.**

- a. The Firm shall submit to the Corporation all advertising, sales promotion, and other publicity matters for the benefit of the Firm relating to this Agreement or the Services provided to the Corporation, wherein the Corporation's name or the name appears, and the Firm shall not publish or use such advertising, sales promotion, or publicity matter without the prior written consent of the Corporation.
- b. Neither the Firm nor its employees, offices, directors or partners shall issue any press release, conduct any press or news conference, participate in any media interview or otherwise make any public statement with respect to or in connection with the Corporation or the lottery without the prior written consent of the President or his designee(s) in each instance.

11. **Confidentiality; Ownership of Work Product.**

- a. For purposes of this Agreement:
 - i. **"Confidential Information"** means any and all items or information of the Corporation which are: (A) marked "confidential" or some similar designation or (B) valuable, proprietary and confidential information belonging to or pertaining to the Corporation that does not constitute a Trade Secret (as hereinafter defined) and that is not generally known but is known only to the Corporation and those of its employees, independent contractors or agents to whom such information must be confided for business purposes, including, without limitation, information regarding the Corporation's customers, suppliers, and retailers; and

- ii. “**Trade Secret**” means business or technical information, including but not limited to a formula, pattern, program, device, compilation of information, method, technique or process that : (A) derives independent actual or potential commercial value form not being generally known or readily ascertainable through independent development or reverse engineering by persons who can obtain economic value form its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.
- b. In recognition of the need for the Corporation to protect its legitimate business interests, the Firm hereby covenants and agrees that with regard to any Confidential Information or Corporation Trade Secrets (at all times that such information remains a Trade Secret under applicable law), the Firm will regard and treat all such items as strictly confidential and wholly owned by the Corporation, and will not, for any reason or in any fashion, either directly or indirectly, use, disclose, transfer, assign, disseminate, reproduce, copy or otherwise communicate any such confidential Information or Trade Secrets to any individual or entity for any purpose other than in accordance with this Agreement or pursuant to the instructions from a duly authorized representative of the Corporation.
- c. Subject to applicable law, the Firm shall own all working papers and all other files and documents prepared in connection with providing the Services. Provided, however, nothing herein is intended to grant any rights, license or title in Corporation’s Confidential Information or Trade Secrets in the event they are included in the Firm’s working papers or files.

12. **Representations, Warranties and Additional Covenants.** The Firm hereby represents, warrants or covenants, as the case may be, to the Corporation that as as of the Effective Date and at all times throughout the Term, as follows:

- a. The Corporation has the power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the firm has taken all necessary and appropriate action to authorize the execution and delivery of this Agreement and the performance of its obligations under this Agreement. The execution and delivery of this Agreement and the performance of its obligations under this Agreement are not in contravention of any provisions of law or any material indenture or agreement by which the Firm is bound and do not require the consent or approval of any governmental body, agency, authority or other person or entity which has not been obtained. This Agreement constitutes the valid and legally binding obligation of the Firm, enforceable against the Firm in accordance with its terms.
- b. The Firm is not currently debarred from contracting with a political subdivision or agency of the State of Mississippi or federal government.

c. The Firm is, and will remain at all times during the terms of this Agreement, qualified to do business in the State of Mississippi.

13. **Indemnity.** The Firm agrees to indemnify, defend and hold harmless the Corporation, the Board, the Corporation's agents, officers, directors, employees and representatives, the State of Mississippi and its agencies and political subdivisions, and their respective agents, officers, employees and representatives, against any and all third-party suits, damages, expenses (including, without limitation, court costs, attorneys' fees and other damages), losses, liabilities and claims of any kind, to the extent caused by any breach of this Agreement or any other act or omission of the Firm or any of its agents or employees, whether the same may be the result of negligence, willful misconduct or otherwise. In no event shall Firm be obligated to indemnify Corporation in any manner whatsoever for Corporation's own negligence.
14. **LIMITATION OF LIABILITY. THE PAYMENT OBLIGATIONS UNDERTAKEN BY THE CORPORATION UNDER THIS AGREEMENT ARE SUBJECT TO THE AVAILABILITY OF FUNDS TO THE CORPORATION. THERE SHALL BE NO LIABILITY ON THE PART OF THE CORPORATION EXCEPT TO THE EXTENT OF LOTTERY OPERATIONS AND OTHER FUNDS AVAILABLE TO THE CORPORATION. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, UNDER NO CIRCUMSTANCES WILL THE STATE OF MISSISSIPPI, ITS GENERAL FUND OR ANY OF ITS AGENCIES OR POLITICAL SUBDIVISIONS BE RESPONSIBLE OR LIABLE AS A RESULT OF THIS AGREEMENT OR ANY LIABILITY CREATED HEREBY OR ARISING HEREUNDER.**
15. **Dispute Resolution Procedures.** Prior to the Firm bringing any judicial enforcement action against the Corporation with respect to any claims or controversies arising in connection with the performance of this Agreement, the Firm must first pursue and exhaust any and all remedies available to it in accordance with the dispute resolution procedures adopted by the Corporation, as amended from time to time (collectively, the **Dispute Resolution Procedures**”).

Any dispute concerning a question of fact related to accounting treatment arising under this Agreement shall be disposed of by good faith negotiation between duly authorized representatives of the Corporation, OSA and the Firm. Such a resolution shall be reduced to writing and a copy thereof mailed or furnished to the Firm and shall be final and conclusive. If a resolution cannot be reached, the Firm shall mail or furnish to the Corporation and OSA a written request for review. The Firm shall be afforded an opportunity to be heard and to offer evidence in support of his/her/its position on the issue in dispute and under review. The review will be handled under a three (3) person panel for arbitration composed of the Deputy State Auditor, the Director of Technical Assistance and the Director of the Financial and Compliance Audit Division. The decision of the arbitration panel of OSA on the review shall be final and conclusive unless

determined by a court of competent jurisdiction to have been fraudulent, capricious, or so grossly erroneous as necessarily to imply bad faith, or not be supported by substantial evidence. Pending final decision of a dispute hereunder, the Firm shall proceed diligently with the performance of the duties and obligations of the Agreement.

16. Termination.

- a. The Corporation with the written consent of the OSA's authorized representative is empowered to accept or reject the services furnished by the Firm in compliance with the material provisions of this Agreement and Exhibit "C." However, any rejection of services must be based solely on the Firm's failure to comply with the material terms of this Agreement, and cannot be based on the nature of the Firm's opinion on the financial status of the Corporation in its audit report. However, prior to termination of this Agreement by the Corporation, the Corporation must provide written justification to the OSA documenting the reasons for requesting the Agreement be terminated. The Corporation must obtain written approval from the OSA prior to terminating the Agreement.
- b. Termination for Cause. Upon the failure of either party to perform any obligation or observe any covenant required hereunder, the non-defaulting party, with the written consent of the OSA, shall have the right to send a written notice to the defaulting party specifying such failure and demanding cure within ten (10) days of receipt of such notice. If the defaulting party has not remedied such failure within the cure period, or has not made substantial progress toward remedying such failure within the cure period, then the non-defaulting party may terminate the Agreement immediately by sending a written notice of termination to the defaulting party. However, prior to termination of this Agreement by the Corporation, the Corporation must provide written justification to the OSA documenting the reasons for requesting the Agreement be terminated. The Corporation must obtain written approval from the OSA prior to terminating the Agreement. In the event of termination for cause by the Corporation and/or OSA, in addition to other remedies provided herein or available at law or in equity, the Firm shall bear all costs associated with the issuance of a new Agreement for audit services, including, but not limited to, the cost of reissuing another request for proposals and any additional costs resulting from an acceleration of services necessary for the timely completion of such auditing services.
- c. Termination by Corporation. The Corporation, with the written consent of the OSA, may terminate this Agreement, with or without cause, by providing a fifteen (15) day written notice of termination to the Firm. However, prior to termination of this Agreement by the Corporation, the Corporation must provide written justification to the OSA documenting the reasons for requesting the Agreement be terminated. The Corporation must obtain written approval from the OSA prior to terminating the Agreement.

- d. In the event of termination, the Firm will be entitled to payment for services in an amount which bears the same ratio to the total compensation as the services actually performed bear to the total services of the Firm covered by the Agreement, less payments previously made. In no instance, other than as specified in paragraph 2 will a payment be made in excess of the Agreement amount specified by the Agreement for each audited year. All finished or unfinished tests, surveys, checklists, forms, manuals, reports or other material prepared by the Firm under this Agreement shall become the property of the OSA.
 - e. Termination upon Dissolution. This Agreement shall terminate automatically upon the dissolution of the Firm.
 - f. Termination by the Firm. This Agreement may be terminated by the Firm prior to its expiration if MLC breaches any provision of the Agreement, following a forty-five (45) day opportunity to cure (provided such is not cured). In that case, the Firm may pursue all remedies available at law and in equity and may seek and obtain injunctive relief against the breach or threatened breach of MLC's obligations under this Agreement subject to the Dispute Resolution Procedures.
17. **Modification; Waiver.** No amendment of this Agreement will be effective unless it is in writing and signed by the Parties. No waiver of satisfaction of a condition or failure to comply with an obligation under this Agreement will be effective unless it is in writing and signed by the Party granting the waiver, and no such waiver will constitute a waiver of satisfaction of any other condition or failure to comply with any other obligation.
18. **Notice.** All notices and other communications hereunder (each, a "Notice") shall be in writing and addressed to the Parties at the addresses set forth below (or to such other address that may be designated by the receiving Party from time to time in accordance with this Paragraph 12). All Notices shall be delivered by personal delivery, nationally recognized overnight courier (with all fees pre-paid), email, or certified or registered mail (in each case, return receipt requested, postage pre-paid). Except as otherwise provided in this Agreement, a Notice is effective only (a) upon receipt by the receiving Party, and (b) if the Party giving the Notice has complied with the requirements of this Paragraph 12.

- a. If to the Corporation:

Mississippi Lottery Corporation
PO Box 321433
Flowood, MS 39232
Attn: Thomas Shaheen

With a copy to:

Balch & Bingham LLP
c/o: Balch & Bingham LLP
188 East Capitol Street, Suite 1400
Jackson, Mississippi 39201
Attn: Lucien Smith, Esquire

b. If to the Firm:

BKD CPAs & Advisors
190 East Capitol Street
Suite 500
Jackson, MS 39201
Attn: Wil Crawford

19. **Applicable Law.** This Agreement shall be governed and construed and enforced in accordance with the laws of the State of Mississippi, without giving effect to its principles of conflicts of laws. Only after exhaustion of the Dispute Resolution Procedures, if applicable law permits any further appeals, any such appeal must be brought solely in the Chancery Court of Rankin County, Mississippi. The Firm irrevocably waives, to the fullest extent permitted by law, any right which it may now or hereafter have to appeal any final decision s of the Board made pursuant to the Dispute Resolution Procedures, and the Firm irrevocably waives an objection which it may now or hereafter have to the venue of any appeal being solely in the Chancery Court of Rankin County, Mississippi.
20. **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective permitted successors and permitted assigns.
21. **Counterpart Execution.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same Agreement. A signed copy of this Agreement delivered by email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.
22. **Severability.** If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.
23. **Entire Agreement.** This Agreement constitutes the entire understanding between the Parties with respect to the subject matter of this Agreement and supersedes all other agreements, whether written or oral, between the Parties.

MISSISSIPPI LOTTERY CORPORATION,
a Mississippi corporation

BY: Michael J. McGrevey
Dr. Michael J. McGrevey, Chairman
Thomas N. Shaheen, President

MISSISSIPPI OFFICE OF THE STATE
AUDITOR

Stephanie C. Palmertree
Stephanie C. Palmertree, Director of Financial
and Compliance

BKD, LLP

BY: Andrew M. Williams
ITS: Managing Partner

EXHIBIT A

(See attached.)

MISSISSIPPI LOTTERY CORPORATION

REQUEST FOR PROPOSALS NO. 2

REQUEST FOR PROPOSALS FOR COMPREHENSIVE ACCOUNTING AND AUDITING SERVICES

RESPONSE SUBMISSION DEADLINE: MAY 6, 2019 (2:00 P.M. CST)

**RESPONSE DUE TO: DR. MICHAEL J. MCGREVEY, CHAIRMAN
C/O BALCH & BINGHAM LLP
188 E. CAPITOL STREET, SUITE 1400
JACKSON, MS 39201**

MISSISSIPPI LOTTERY CORPORATION
REQUEST FOR PROPOSALS FOR COMPREHENSIVE ACCOUNTING AND
AUDITING SERVICES

RFP NO. 2

BACKGROUND

The Alyce G. Clarke Mississippi Lottery Law, Senate Bill 2001 (First Extraordinary Session 2018) (“the Act”), formed the Mississippi Lottery Corporation (the “Corporation”) to administer the State of Mississippi’s first lottery. The Corporation’s Board of Directors (“the Board”) governs the Corporation. The Board is comprised of five (5) members appointed by the Governor, with the advice and consent of the Senate, in addition to the Commissioner of the Department of Revenue and the State Treasurer as ex officio members. Composing the current Board are Dr. Michael J. McGrevey, Dr. Cass Pennington, Kimberly LaRosa, Gerard Gibert, Philip Chamblee, Commissioner Herb Frierson, and Treasurer Lynn Fitch.

INTRODUCTION

1. Purpose

The purpose of this Request for Proposals (“RFP”) is to invite proposals from qualified, full-service Certified Public Accounting (“CPA”) firms to provide comprehensive accounting, auditing, and related services. All respondents must fully acquaint themselves with the Corporation’s needs and requirements and obtain all necessary information to develop an appropriate solution and to submit responsive and effective proposals.

2. Responses and Proposal Acceptance Period

Each proposal shall be signed by an individual authorized to bind the respondent to a resultant contract and submitted in a sealed envelope or package as described in this RFP no later than the time and date specified for receipt on the cover page hereto. Timely submission is the responsibility of the respondent. The envelope or package shall be marked with the name of the respondent and the RFP number. Each page of the proposal and all attachments shall be identified with the name of the respondent. The Board reserves the right to decide, on a case-by-case basis, whether to reject a proposal with modifications or additions as nonresponsive. As a precondition to proposal acceptance, the Board may request the respondent to withdraw or modify those portions of the proposal deemed nonresponsive that do not affect quality, quantity, price, or delivery of the services. The Board is under no obligation to enter into a contract or otherwise engage any respondent as a result of this RFP process and may cancel this RFP process when it is determined to be in the best interest of the Board.

(a) Timeline*

April 17, 2019	RFP posted to the website of the Mississippi Lottery Corporation (mslotteryhome.com)
April 23, 2019	Deadline for questions related to RFP No. 2
April 29, 2019	Deadline for responses to all questions related to RFP to be posted to the website of the Mississippi Lottery Corporation (mslotteryhome.com)
May 6, 2019	Closing date for RFP. All proposals due (2:00 PM CST)
May 14, 2019	Proposal responses evaluated and oral presentations held (if requested).
May 14, 2019	Board decision and notification of Board action

(*) – Dates are estimated and are subject to change. Additionally, the Corporation reserves the right to request clarification and seek follow-up information once proposals are submitted.

(b) Late Submissions

A proposal received at the place designated in the RFP for receipt of proposals after the exact time specified for receipt will not be considered. Proposals received after the specified time shall be rejected and returned to the respondent unopened.

3. Procedures for Delivery of Proposals

The respondent shall submit eight (8) copies of its proposal in an envelope(s) or package(s) marked "Proposal Package." The envelope or package shall also be clearly labeled with the name of the respondent, the services to be provided, and directed to the attention of the named contact person. Responses shall be mailed or hand-delivered to the person listed on the title page. No email or facsimile responses will be accepted.

4. Expenses Incurred in Preparing Statement of Qualifications

The Board accepts no responsibility for any expense incurred by the respondent(s) in the preparation and presentation of a proposal. Such expenses shall be borne exclusively by the respondent(s).

5. Registration with Mississippi Secretary of State

By submitting a proposal, the respondent certifies that it is registered to do business in the State of Mississippi as prescribed by the Mississippi Secretary of State or, if not already registered, that it will do so within seven (7) business days of being offered an award.

6. Debarment

By submitting a proposal, the respondent certifies that it is not currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi or Federal government, and that it is not an agent of a person or entity that is currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi.

7. Additional Information

Questions about this RFP must be submitted in writing as detailed in Section 16 below. Respondents are cautioned that any statements made by contact persons that cause a material change to any portion of the RFP shall not be relied upon unless subsequently ratified by a formal written amendment. All questions and answers shall be published to respondents on the website of the Mississippi Lottery Corporation by the deadline prescribed herein.

8. Release of Information

The Board will not release information submitted in response to this RFP during the evaluation process or prior to an award of a contract. After all respondents have been notified of the award of a contract, respondents' proposals will be available for public review, subject to the limitations of the Mississippi Public Records Act of 1983, as amended. It is the responsibility of the respondent to identify all trade secrets or confidential commercial or financial information.

9. Non-Discrimination

There shall be no discrimination as to race, sex, color, religion, national origin or disability in the operations proposed to be conducted under any engagement arising out of the responses to this RFP.

10. Joint Selections

The Board may entertain joint or complementary proposals for the accounting and auditing services sought. The Board may make a joint selection of two or more respondents to provide accounting and auditing services or may select two or more respondents to provide services that together comprise all or part of the services sought.

11. Supplementation

Each respondent must supplement its response to its RFP within seven (7) days of any material change to the information contained in its response.

12. Administration of Contract

The contract(s) resulting from the RFP process will be administered by the Board.

13. Terms and Conditions of Contract

The terms and conditions of any contract resulting from a response to this RFP will contain, by reference, the terms of this RFP and the respondent's response thereto. Pursuant to Section 45 of the Act, (a) the term of a contract resulting from this RFP may not exceed a period of five (5) years, and (b) shall be reviewed by and subject to the approval of the State Auditor.

14. Successive Term Limitation

Section 45 of the Act states prohibits the same firm from being awarded more than two (2) consecutive audit contracts.

15. Obligation to Award

By this RFP, the Board has not committed itself to contract with any vendor for any or all of the matters described in this RFP, nor does the suggested scope of services or term of agreement require that any vendor be selected for any purposes.

16. Questions and Quiet Period

Questions relative to this RFP should be submitted by email to rsanford@balch.com no later than April 23, 2019. The Corporation is under no obligation to respond to all questions presented; however, responses will be posted on the Corporation's website on or before April 29, 2019.

Upon the release of the RFP, applicants or their representatives shall not contact Corporation Board members or Corporation counsel regarding the RFP, other than through the process for questions provided pursuant to this RFP. This quiet period will end upon the selection of the firm for the services provided for in this RFP. A violation of this quiet period may result in the disqualification of the violator's Response to the RFP.

RESULTING CONTRACT

1. Period of Performance

Any firm selected pursuant to this RFP shall serve at the pleasure of the Board, and the services of any firm selected may be terminated, at the sole discretion of the Board, upon delivery of written notice of such termination to the selected firm. Please see also Sections 13 and 14 of the *Introduction* Section hereto.

2. Indemnity

The selected firm shall agree in the resulting contract to indemnify the Corporation and its directors, officers, employees, agents and representatives relative to any injury or damage that occurs as a result of any negligent act or omission committed by the firm, including its agents, employees, and assigns.

3. Corporation Objectives

The public's trust relative to the operations of the Mississippi lottery is essential. The Corporation must maintain control over all functions and be assured that they are performed to provide the greatest long-term benefit to the State of Mississippi and to provide the best service and products for the public, in a manner consistent with the integrity of the State of Mississippi.

All proposals shall reflect the following overall goals and objectives of the Corporation:

- To annually increase revenue and associated net lottery proceeds;
- To market high quality products that provide entertainment and customer satisfaction;
- To ensure that the successful respondent is capable of providing the services called for in this RFP, and that the successful respondent will be capable of continuing to provide those services; and
- To provide for innovation and the ability to respond to changes in the industry and the demands of the marketplace.

4. Successful Relationship

The nature of this RFP and the resulting contract will result in a relationship between the successful respondent and the Corporation, which relationship must be founded in mutual trust, respect and concern for the integrity, security and quality of the Mississippi lottery. In selecting a firm, the Corporation desires to partner with a firm that demonstrates quality and responsiveness in its customer service.

REQUESTED SERVICES

The Corporation seeks the following accounting and auditing services:

1. Audit of Financial Books and Records:

(a) The firm shall perform an audit of the Corporation's annual financial statements, books, and records in accordance with the generally accepted auditing standards and principles and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United State, as amended. Through this audit, the firm shall compile a report on and express an opinion of the procedures and records utilized in auditing the financial statements, books, and records in conformity with the generally accepted accounting principles ("GAAP").

(b) The audit report and opinion shall be presented to Corporation within ninety (90) days after the close of the Corporation's fiscal year.

(c) The firm, at its own cost, shall provide eight (8) copies of the bound copies of the audited financial statement, books, and records to the Board each year.

2. **Additional Reporting:** In addition to the audit of the Corporation's financial statements, books, and records, the selected firm will be called upon to do the following:

- (a) The firm shall evaluate and report on the sufficiency and efficiency of the Corporation's internal financial processes and controls.
- (b) The firm shall report on Corporation's internal controls, accounting systems, and financial processes compliance with the applicable state and federal standards, guidelines, and regulations.
- (c) If applicable, the firm shall create a report based upon the audit findings that details recommended improvements and/or changes to the Corporation's internal controls, accounting system and financial processes.
- (d) The firm shall assist the Board and the Corporation in compiling the quarterly and annual reports required pursuant to Section 45 of the Act. The firm shall advise the Board and the Corporation on the latest developments regarding accounting pronouncements and suggest presentation formats for any new disclosure included in the reports.
- (e) Any other reports concerning the financial operations of the Corporation as deemed necessary by the Board and/or the Corporation.

REQUIRED INFORMATION

1. **Minimum Qualifications**

To be eligible to respond to this RFP, each respondent must certify in writing that it meets each of these requirements:

- (a) It has a minimum of ten (10) years' experience related to accounting and auditing services;
- (b) It is a Certified Public Accounting Firm;
- (c) It is financially sound;
- (d) It meets the requirements of the Act;
- (e) It is not currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi or the Federal government, and that it is not an agent of a person or entity that is currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi; and

- (f) The firm has no agent, employee, or assign that has a financial interest in any vendor with whom the corporation is under contract as required by Section 45 of the Act.

2. Qualifications, Experience and Disclosures

- (a) Provide a general overview and brief history of your organization, including parent and/or subsidiary companies and the number of employees.
- (b) Provide, as applicable, the names and addresses of the following: the names and addresses of the officers, directors and each stockholder of more than a 10% interest in the Corporation.
- (c) Provide a disclosure of all of the jurisdictions in which the firm does business.
- (d) Provide a disclosure of all of the jurisdictions in which the firm has contracts to supply lottery goods and services and a description of the nature of the goods or services involved for each jurisdiction.
- (e) Provide a disclosure of all of the jurisdictions in which the firm has applied for, has sought renewal of, has received, has been denied, has pending or has had revoked a lottery or gaming license of any kind or had fines or penalties assessed to the firm's license, contract or operation and the disposition of each firm in each jurisdiction. If any lottery or gaming license or contract has been revoked or has not been renewed or any lottery or gaming license or application either has been denied or is pending and has remained pending for more than six (6) months, all of the facts and circumstances underlying the failure to receive a license shall be disclosed.
- (f) Provide a disclosure of the details of any bankruptcy, insolvency, reorganization or corporate or individual purchase or takeover of another corporation, including, without limitation, bonded indebtedness, and any pending litigation of the firm.
- (g) Provide a disclosure of any civil or criminal litigation or indictment involving the firm.
- (h) Provide the address of the office location(s) that will service the account.
- (i) Describe the experience of the firm in providing similar services for other lotteries or for governmental entities or quasi-governmental entities.
- (j) How many audits has the firm conducted in Mississippi within the past five (5) fiscal years?
- (k) How many audits of governmental or quasi-governmental agencies in Mississippi in the past (5) years?

- (l) Provide a copy of the firm's most recent Peer Review evaluation report conducted by an independent CPA firm.

3. Personnel

- (a) Provide the name, title, address, phone number, and email address of the primary contact person(s) assigned to this account and please provide any experience relevant to servicing lottery corporations or quasi-governmental or governmental entities.
- (b) Describe your firm's policy on changing the primary contact person on an account.
- (c) Name the individuals who will work with the Corporation on a day-to-day basis, including: biographical information, proposed role, number of years of experience in this field, number of years with the firm and the level of decision-making authority these individuals have to handle emergency needs of the Corporation as they arise.
- (d) Describe the chain of command for problem resolutions.

4. General Accounting and Auditing Services

- (a) Please provide a listing of firm offices located within the State of Mississippi.
- (b) What percentage of accountants working with your firm are certified public accountants?
- (c) How does the firm stay abreast of changes within federal and state statutes, rules, regulations and governmental standards related to auditing and accounting?
- (d) Describe how the firm establishes an audit plan and prepares prior to beginning the audit process.
- (e) How does the firm determine what documents are necessary for review in conducting an audit?
- (f) How does the firm establish period deadlines during the audit process to ensure timely completion of an audit?
- (g) Describe how the firm prepares an audit report and opinion.
- (h) Describe the process by which the firm reviews the audit report and opinion with clients.
- (i) Describe the firm's closing meeting process.

5. Control

- (a) Describe the security procedures for the firm's information reporting system, both for access and information protection.
- (b) Is an audit trail report available, showing all activity, by whom and when, for each system?
- (c) Describe the types of insurance and bonding carried.

6. Fees and Expenses

Discuss the firm's fees for providing the services described herein, completion of Attachment A and including the length of the such fees will be guaranteed.

7. Out of Pocket Expenses

Describe any anticipated out-of-pocket expenses associated with the provision of requested services that the firm anticipates charging to the Corporation. Out-of-pocket expenses include but are not limited to items such as postage, shipping/delivery charges, travel, and supplies associated with the performance of services under this RFP. General overhead expenses, including but not limited to internet connectivity, electricity, telephone, office supplies, and storage shall not be charged to the Corporation.

8. References

Provide a list of the names, telephone numbers and addresses of not less than three (3) clients of similar size to the Corporation. Include the length of time they have been clients of the firm.

EVALUATION AND AWARD CRITERIA

This RFP seeks firms to provide comprehensive accounting and auditing services to the Corporation. A preliminary evaluation will be conducted identifying the firms deemed fully qualified and best suited among those submitting proposals on the basis of the evaluation factors listed below (not in priority order):

- Operational requirements – understanding the needs and operation requirements of the Corporation; scope of services offered.
- Experience – experience, resources and qualification of the firm and individuals assigned to the account; relevant experience; quality and responsiveness of customer service; local decision-making authority to handle emergency needs.
- Innovation – value of any service suggestions or ideas.
- Compliance with the requirements of RFP and quality of the proposal submitted.
- Fees.

During the evaluation process, the Board may request certain of the respondents reasonably susceptible of being selected for award to make oral presentations to the Board for the purpose of clarification to assure full understanding of, and responsiveness to the RFP requirements. If the Board determines that further clarifications are needed or desirable, it may solicit Best and Final Offers from respondents, whether oral presentations are held or not.

The authority to make the final selection of a respondent under this RFP and approve the terms of a resulting contract resides solely with the Board. The Board reserves the right to award the contract to the firm that best meets the requirements of the RFP and not necessarily to the lowest cost proposer. Further, the Board reserves the right to reject any and all responses to this RFP, with or without cause.

Any award to any respondent will be contingent upon successful negotiation of fees and rates and other terms, subject to ratification and approval of the Board. If a contract with the selected firm is not finalized within fifteen (15) days, the Board reserves the right to open negotiations with another firm.

**ATTACHMENT A – ACCOUNTING AND AUDITING SERVICES
FEES AND CHARGES**

Service Unit	Hourly Rate/Unit Charge	Cost of Services
Audit of Financial Statements, Books and Records	Per year	
Review of Internal Processes and Controls		
Partner	Per hour	
Manager	Per hour	
Senior	Per hour	
Staff	Per hour	
Other consulting and review services		
Partner	Per hour	
Manager	Per hour	
Senior	Per hour	
Staff	Per hour	
Assistance with financial report preparation by Board		
Partner	Per hour	
Manager	Per hour	
Senior	Per hour	
Staff	Per hour	

EXHIBIT B

(See attached.)



Don't Gamble with Your Future

**Support from Advisors with National Lottery
Experience & a Commitment to Integrity First**

Mississippi Lottery Corporation

Proposal Package
Submitted by BKD CPAs & Advisors
Proposal for Comprehensive Accounting and Auditing Services
190 East Capitol Street | Suite 500 | Jackson, MS 39201
Phone: 601.948.6700
Andrew M. Williams, CPA | Managing Partner*
awilliams@bkd.com
May 6, 2019

* Effective June 1, 2019

BKD
CPAs & Advisors

May 6, 2019

Dr. Michael J. McGrevey
Chairman
C/O Balch & Bingham LLP
188 East Capitol Street | Suite 1400
Jackson, MS 39201

Re: Mississippi Lottery Corporation

Dear Dr. McGrevey:

The public sector accounting environment is continually shifting and, with expectations for security, honesty, fairness and integrity, your evaluation of CPA and advisory firms is pivotal. The auditor and trusted advisor for the Mississippi Lottery Corporation (the Corporation) should possess significant experience serving lotteries and the governmental sector, which includes helping similar entities interpret and apply new accounting rules and implement best practices. An open and proactive service approach—both during the audit and throughout the year—is another pertinent consideration, as continued communication goes hand in hand with an efficient audit. You can find these traits in BKD CPAs & Advisors. We're ready to show the Corporation what it means to have a reputable, trusted advisor with national lottery experience who can help you meet compliance standards and maintain public trust.

This proposal includes information on our offerings that meet the definition of both audit/attestation and consulting services. To help provide peace of mind, we will evaluate relevant independence considerations from the American Institute of CPAs' Code of Professional Conduct, as well as those defined in Generally Accepted Government Auditing Standards, and we will communicate the results of this analysis with you as a part of the engagement acceptance process. Both BKD and the Corporation value integrity and reputation, and neither of us want to put those at risk.

With that said, our proposal is designed to not only address your request for external audit services, but also your need for an assessment of internal processes and controls, as well as other consulting and review services. As you will see, BKD provides consulting, enterprise risk management, attestation and internal audit services to other state lotteries. We can provide guidance as the Corporation builds a sound system of internal controls, policies, procedures and best practices to help you demonstrate a secure and honorable operating environment. This can help you uphold state-wide trust and remain accountable to the citizens of Mississippi.

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Our acceptance of this engagement is subject to completion of our normal client acceptance procedures. Upon acceptance, the actual terms of our engagement will be documented in a separate letter to be signed by you and us. The information provided in this proposal is intended for informational purposes only and may not be copied, used or modified, in whole or in part, without BKD's prior written approval. All information in this proposal is as of May 31, 2018, unless otherwise noted.

Thinking of Your Future

In addition to the Corporation's requested services, BKD has an extensive range of service offerings that may be relevant to you now or in the future. If the need arises, the following services could benefit the Corporation:

- ▶ **IntegraReport™**
- ▶ Internal Audit
- ▶ Cybersecurity Risk Assessment
- ▶ DEFCON CYBER™
- ▶ Advanced Threat & Vulnerability Testing
- ▶ BKD WhiteHat Services
- ▶ Public Sector Consulting Services
- ▶ Enterprise Risk Management (ERM) Implementation
- ▶ Policies & Procedures Review
- ▶ Operational Assessment

If you would like additional information about these options, please see the Appendix or contact Director Wil Crawford at your convenience.

Why Choose BKD

Delivering Value

Monitoring expenditures and receiving exceptional value for your investments is important, but informed consumers understand value is more than just about price. Value from a professional CPA and advisory firm is about the quality of the work and the merit of the advice. Expect BKD's work to be accurate and insightful. We stand behind it. Our Public Company Accounting Oversight Board (PCAOB) inspections and American Institute of CPAs (AICPA) peer reviews demonstrate the firm's record of excellence.

As evidenced by our inclusion in the **INSIDE Public Accounting** Best of the Best Firms list for the last eight years, we also offer long-term consistency, exceptional performance and a national network of support and resources. BKD is large enough to help the Corporation address a variety of financial issues. At the same time, we pride ourselves on hard work and low overhead, which keep our fees competitive. With our reputation, size, service and experience, you can consider us a good value.



INSIGHT

"BKD's personnel from staff to partner that I've worked with are very professional and consider the operations and timelines of the agency personnel in their planning. They are willing to discuss issues and accounting treatments in an open method while ensuring that the standards are met. The comments and recommendations are helpful and have assisted the city in making improvements."

Beth Machann

City Controller
City and County of Denver,
Colorado

Knowledge of GASB Requirements

Wherever the Corporation may be in the process of adopting GASB standards relevant to you, our professionals have the expertise to help. Your proposed engagement team includes professionals who routinely serve similar clients subject to GASB standards.

We plan to help the Corporation address implementation of GASB standards, including:

- ▶ GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- ▶ GASB Statement No. 84 (GASB 84), *Fiduciary Activities*
- ▶ GASB Statement No. 85 (GASB 85), *Omnibus 2017*
- ▶ GASB Statement No. 86 (GASB 86), *Certain Debt Extinguishment Issues*
- ▶ GASB Statement No. 87 (GASB 87), *Leases*
- ▶ GASB Statement No. 88 (GASB 88), *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- ▶ GASB Statement No. 89 (GASB 89), *Accounting for Interest Costs Incurred before the End of a Construction Period*

We want to help you evaluate the potential effects of these pronouncements well in advance so you have adequate time to prepare for and apply them. We commit to a continued dialogue with you on significant pronouncements, both prior to and during the implementation process.

Commitment to Integrity & Excellence

Integrity First: our client service standards start with it. We believe integrity trumps economics every time. As the business environment evolves and new challenges arise, this commitment will remain the foundation of all that we do. In addition, excellence is one of our firm's core values, and we will never apologize for having high standards in our service to clients. BKD's commitment to audit quality means the Corporation is getting what you pay for—an audit performed by a firm with a track record of high quality, as demonstrated by our AICPA peer reviews and PCAOB inspections.

In 2018, we published our first annual audit quality report, **The Importance of Quality: Our Commitment to Integrity & Excellence**. This report provides further insight on our efforts to maintain quality, including:

- ▶ Audit requirements
- ▶ Technical ability and leading the process
- ▶ Using technology to advance our capability
- ▶ Security and infrastructure
- ▶ Delivering and monitoring quality results

We invite you to read the current version of our quality report and learn more about our commitment to improving the quality of our work. Our quality report can be found at bkd.com.

1. Minimum Qualifications

For your convenience, we have structured our proposal according to the requirements in your RFP. We believe our proposal will demonstrate our qualifications to serve the Corporation.

INFORMATION CONTAINED IN BKD'S RFP RESPONSE, WHICH IT ASSERTS AS CONFIDENTIAL, IS EITHER BUSINESS AND/OR PROPRIETARY TRADE SECRET INFORMATION NOT SUBJECT TO DISCLOSURE AS SET FORTH IN THE STATE OF MISSISSIPPI PUBLIC RECORDS ACT. SUCH CONFIDENTIAL INFORMATION HAS INDEPENDENT ECONOMIC VALUE TO BKD, IS NOT REASONABLY ASCERTAINABLE BY THIRD PARTIES AND IS THE SUBJECT OF REASONABLE EFFORTS BY BKD TO MAINTAIN ITS SECRECY AND/OR CONFIDENTIALITY. SUCH INFORMATION IN THIS PROPOSAL SHALL BE DESIGNATED WITH AN ASTERISK (*).

To be eligible to respond to this RFP, each respondent must certify in writing that it meets each of these requirements:

(a) It has a minimum of ten (10) years' experience related to accounting and auditing services

BKD has been providing accounting and auditing services since 1923.

(b) It is a Certified Public Accounting Firm

BKD is a certified public accounting firm.

(c) It is financially sound

BKD's capital structure is 100 percent partner financed. Our partnership agreement requires partners to maintain capital accounts, which are reviewed annually to verify the firm has sufficient capital to finance operations, capital expenditures, expansion, etc. BKD is debt free.

Our pension plan is a defined contribution plan, funded as benefits are earned. Payments to retired or withdrawn partners are fixed and limited under our partnership agreement to a low percentage of firm net income.

Our system of financial and budgetary controls provides for timely monthly financial statements. Each month, management compares actual financial data to the current year's budget and to the previous year's figures. On a daily basis, management can monitor the firm's financial performance and adopt appropriate strategies to meet changing conditions.

We are confident our financial house is in order, and our partners are committed to keeping it that way.

(d) It meets the requirements of the Act

BKD meets the requirements set forth in Alyce G. Clarke Mississippi Lottery Law, Senate Bill 2001.

(e) It is not currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi or the Federal government, and that it is not an agent of a person or entity that is currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi

BKD is not debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi or the federal government. BKD also is not an agent of a person or entity that is currently debarred from submitting proposals.

(f) The firm has no agent, employee, or assign that has a financial interest in any vendor with whom the corporation is under contract as required by Section 45 of the Act.

BKD has no agent, employee or assign that has a financial interest in vendors the Corporation is under contract with.

Iowa	Springfield	Pennsylvania
Des Moines	St. Louis	Erie
Kansas	Nebraska	Pittsburgh
Wichita	Lincoln	Tennessee
Kentucky	Omaha	Nashville
Bowling Green	New York	Texas
Louisville	New York City	Dallas
Mississippi	Ohio	Fort Worth
Jackson	Cincinnati	Houston
Missouri	Oklahoma	San Antonio
Branson	Enid	Waco
Joplin	Oklahoma City	Wisconsin
Kansas City	Tulsa	Madison

(d) Provide a disclosure of all of the jurisdictions in which the firm has contracts to supply lottery goods and services and a description of the nature of the goods or services involved for each jurisdiction.

BKD provides, or has provided, various professional services in the following jurisdictions: Multi-State Lottery Association, Illinois, Nebraska, Oklahoma, Colorado and Indiana.*

(e) Provide a disclosure of all of the jurisdictions in which the firm has applied for, has sought renewal of, has received, has been denied, has pending or has had revoked a lottery or gaming license of any kind or had fines or penalties assessed to the firm’s license, contract or operation and the disposition of each firm in each jurisdiction. If any lottery or gaming license or contract has been revoked or has not been renewed or any lottery or gaming license or application either has been denied or is pending and has remained pending for more than six (6) months, all of the facts and circumstances underlying the failure to receive a license shall be disclosed.

None.

Legal Considerations

(f) Provide a disclosure of the details of any bankruptcy, insolvency, reorganization or corporate or individual purchase or takeover of another corporation, including, without limitation, bonded indebtedness, and any pending litigation of the firm.

(g) Provide a disclosure of any civil or criminal litigation or indictment involving the firm.

BKD is debt free and is not for sale. BKD has a history of steady, controlled growth, and that continues to be our objective for the future. We want to grow internally, as well as through manageable acquisitions based on quality, technical and industry expertise and geography. BKD's emphasis on quality has rewarded the firm with an excellent track record regarding claims related to professional services. Underwriters of professional liability insurance for accounting firms have informed us that we have one of the best litigation histories in the accounting profession. To avoid litigation, BKD maintains an extensive risk management program addressing a multitude of issues ranging from client acceptance to final working paper and financial statement review. However, as with any firm our size, the firm does experience litigation from time to time. Details of litigation cannot be disclosed pursuant to confidentiality agreements; however the results of litigation have never been material to the firm. Currently, there is no substantial litigation outstanding.

Examples of our areas of focus have included assessments of the following:

- ▶ Lottery Operations
 - Investment management
 - Annuity prize payments
 - Prize payments
 - Game accounting
 - Contract compliance
 - Purchasing compliance
 - Retailer licensing compliance
 - Logical and physical security of critical resources
 - Operation of interdepartmental functions
 - Compliance with the overall goals and objectives of the Hoosier Lottery
 - Compliance with laws, policies, procedures and contracts
 - Recording and accounting of transactions
- ▶ Financial Operations
 - Chart of accounts controls, maintenance and oversight
 - End user computing
 - Financial closing and reporting
 - General ledger maintenance
 - Journal entries
 - Reconciliations
 - Reporting
 - Segregation of duties
 - Budgeting
- ▶ Information Systems
 - Logical and physical access
 - Segregation of duties
 - Change management
 - IT operations
 - IT governance
 - Third-party oversight and governance

Representative Lists of Clients*

BKD is proud to work with Mississippi governmental entities, including:

Canton Municipal Utilities
 Delta Regional Medical Center
 Forrest County General Hospital
 Greenwood Utilities
 Hinds County Board of Supervisors
 Mississippi Affordable College Savings Program
 Mississippi Department of Corrections
 Mississippi Department of Marine Resources
 Mississippi Home Corporation
 Mississippi Joint Legislative Committee on Performance Evaluation and Expenditure Review
 Mississippi Prepaid Affordable College Tuition Plan
 Mississippi State Department of Health
 Municipal Energy Agency of Mississippi
 Municipal Gas Authority of Mississippi
 Sharkey-Issaquena Community Hospital
 State of Mississippi, State and School Employees' Life and Health Insurance Plan

BKD also is proud to work with governmental entities nationwide, including:

Cherokee Nation and Cherokee Nation Entertainment
 Choctaw Nation Housing Authority
 Choctaw Nation of Oklahoma
 City Utilities of Springfield
 Colorado Water Resources Development & Power Authority
 Denver Urban Renewal Authority
 Fayetteville Public Library
 Hinds County Board of Supervisors
 HoosierFund
 Illinois Gaming Board
 Indiana Education Savings Authority and Upromise Investments, Inc.
 Indianapolis Airport Authority
 Kansas City Board of Public Utilities, Kansas
 Minneapolis/St. Paul Metropolitan Airports Commission
 Mississippi Department of Corrections
 Municipal Energy Agency of Mississippi
 Nebraska Lottery
 Pikes Peak Library District
 State Universities Retirement System of Illinois
 Teachers' Retirement System of the State of Illinois

CONFIDENCE

"BKD, LLP demonstrated excellent customer service in meeting our needs. Their technical knowledge was excellent and extremely valuable to our organization. I highly recommend them to any governmental entity."

Clint Mercer

Chief Accountant
 City of Norman, Oklahoma

3. Personnel

Primary Contact Information

(a) Provide the name, title, address, phone number, and email address of the primary contact person(s) assigned to this account and please provide any experience relevant to servicing lottery corporations or quasi-governmental or governmental entities.

Director Wil Crawford will serve as the primary local contact and Partner Rob MaCoy will serve as the primary partner contact for the Corporation.

BKD CPAs & Advisors

Director Wil Crawford

190 East Capitol Street | Suite 500

Jackson, MS 39201

601.948.6700

wcrawford@bkd.com

BKD CPAs & Advisors

Partner Rob Macoy

1801 California Street | Suite 2900

Denver, CO 80202

303.861.4545

rmacoy@bkd.com

Lottery & Governmental Experience

For detailed biographies highlighting the lottery and governmental experience of the primary contacts listed above, please see the Your BKD Engagement Team section beginning on the following page.

(b) Describe your firm's policy on changing the primary contact person on an account.

In the event we are required to make a change to any key personnel assigned to your engagement, we will discuss this with you to explain the circumstances and proposed change. Your lead engagement partner, Rob MaCoy, or primary local contact Wil Crawford, will be coordinating personnel changes. We generally do not remove key personnel from an audit once it has begun, but occasionally, employee turnover or other events beyond our control require such a change. If a personnel change is required, we are confident we can provide a qualified replacement to complete your audit with limited interruption.

RESPONSIVENESS

"Our BKD advisors are professional, responsible and easy to work with, and I appreciate that when I have a question, they respond to me in a timely manner."

Shelley K. Nywall

Controller

Platte River Power Authority

Fort Collins, Colorado

Rob is a former member of BKD's Accounting & Auditing Committee. He frequently serves as a member of external peer review teams and as a captain on BKD's interoffice inspection program. He has served as a presenter for continuing education classes for BKD, the Colorado Society of CPAs (COCPA) and the Institute of Management Accountants Denver-Centennial Chapter.

He is a member of the American Institute of CPAs and COCPA, is the audit committee chair for COCPA and serves on the board and finance committee for Volunteers of America Colorado Branch. Rob participates on the Colorado State University Accounting Advisory Board, the Downtown Denver Partnership Economic Development Council and the Mile High United Way Tocqueville Society. He is a former member of the University of Northern Colorado Accounting Advisory Board and St. Mark's Catholic Church Finance Council.

Rob is a graduate of Missouri State University, Springfield, with a B.S. degree in accounting.



Dennis W. Yockey, CPA
 Director, Retired Partner
 Engagement Role: Concurring Reviewer

Dennis has more than 30 years of experience in public accounting. Now a retired partner, he serves as a member of the quality control group for BKD's National Office. He has extensive experience auditing governmental, not-for-profit, casino and other for-profit organizations, and his specialty areas include airports, utilities, parking systems, wastewater systems and other governmental enterprises. He also has consulted with clients on derivatives, bond refundings and complex revenue recognition transactions.

His lottery experience includes previously serving the Colorado Lottery Commission* as described in the Proven Lottery Experience section beginning on page nine.

Dennis has written articles published in **Business Planning and Management Accounting** and was awarded the Certificate of Merit by the Institute of Management Accountants (IMA) for his manuscript on forensic accounting. He has conducted a variety of seminars for firm and industry audiences.

Dennis has served on the board as treasurer of The Greater Colorado Springs Area Chamber of Commerce and is a member of the American Institute of CPAs, Colorado Society of CPAs (CSCPA) and IMA. He has served on the CSCPA Governmental Accounting Committee.

He is a graduate of The University of Kansas, Lawrence, with a B.S. degree in business and accounting.



Joseph E. Heim Jr., CPA
 Managing Director (Decision Making Authority over Attestation Engagements
 Regarding Drawing of Lottery Numbers)
 Engagement Role: Attestation Managing Director

Joe is a member of BKD National Construction & Real Estate Group and BKD National Manufacturing & Distribution Group. He has 20 years of public accounting experience and provides audit and consulting services to manufacturers, distributors, construction companies and agricultural entities across the Midwest. He also regularly serves on firm-sponsored teams that perform quality control reviews.

His lottery experience includes working with the Nebraska Lottery* as described in the Proven Lottery Experience section beginning on page nine.

He is a member of the American Institute of CPAs and Nebraska Society of Certified Public Accountants.

Joe is a 1997 graduate of University of Nebraska-Lincoln with a B.S. degree in business administration.

He also has served as president of the MSCPA Young CPAs, chair of the MSCPA Governmental A&A Committee, millennial chair of the MSCPA Long Range Planning Committee, an MSCPA board member and was the 2015 winner of the MSCPA Rising Star Award. He is a member of the Association of Government Accountants and a reviewer for the United States and Canada's Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.

Wil previously served as treasurer on the board of directors of the Central Mississippi Chapter of the Mississippi State University Alumni Association and on the Madison United Methodist Church finance committee. He currently serves on the board of directors for Habitat for Humanity Mississippi Capital Area.

He is a *summa cum laude* graduate of Mississippi State University, Starkville, with a B.S. degree in accounting and an M.Acc. degree.



Bryan L. Neal, CPA, CIA®

Director (Decision Making Authority over Review of Internal Processes & Controls if Christie Clements is Unavailable)

Engagement Role: Internal Controls Consulting Director

A member of BKD National Financial Services Group, Bryan has approximately 12 years of audit and assurance experience. He manages audit, review, consultation and agreed-upon procedure engagements for an array of financial institutions and other entities. Bryan also is a member of a group that developed BKD's internal audit approach and materials.

Bryan's lottery experience includes working with the Oklahoma Lotter Commission* as described in the Proven Lottery Experience section beginning on page nine. He previously spent approximately 18 years at a national financial services company, where he served in various roles within bank management, retail banking and banking operations.

Bryan is a member of the American Institute of CPAs and Oklahoma Society of CPAs. He is active with the Oklahoma Bankers Association (OBA) and helps present an internal audit symposium in conjunction with the organization, as well as speaking at BKD and OBA's annual Financial Services Symposium. Bryan also participates with the Greater Oklahoma Chapter of the Cornerstone Credit Union League.

He has served with Regional Food Bank of Oklahoma and NewView Oklahoma and participated with BKD's annual efforts in United Way of Central Oklahoma's Day of Caring.

Bryan is a graduate of The University of Oklahoma, Norman, with a B.B.A. degree and an M.Acc. degree.

Problem Resolution

(d) Describe the chain of command for problem resolutions.

One of the benefits of working with a national firm is the depth of our resources. Understanding how those resources are deployed helps clients appreciate how audit decisions are made and the support our teams receive.

Your engagement executive has primary responsibility for audit-related issues and is the decision maker, but is guided by our policies and quality standards. To support our teams and clients, we require particularly complex or new significant matters to go through assigned levels of review, called consultations.

Depending on the nature, consultations are handled locally by the practice's accounting and auditing director or may be elevated to regional or national resources. The strategy is built on the understanding that any engagement executive may only encounter a particular transaction a few times in their career. By identifying experienced reviewers who see similar transactions regularly, we gain efficiency, consistency and a greater ability to help our clients correctly assess the rules and disclosure requirements.

Amy Shreck, a director in our Omaha office, completed a two-year term as a practice fellow at GASB's headquarters, where she helped to formulate standards and assisted with technical inquiries. BKD can now draw on Amy's firsthand experience at GASB to ultimately help clients better understand GASB standards and the thought process behind those standards.

Jim Brown, retired BKD partner, was appointed January 12, 2012, to the seven-member GASB. He completed a five year term on the board and was elected to a second and final term, which will conclude June 30, 2022. In this capacity, Jim is helping develop and improve the financial accounting and reporting standards used by state and local governments across the country. He specialized in governmental accounting and auditing for approximately 40 years and served as a BKD partner for more than 25 years before retiring in May 2011. He was responsible for quality control and training for BKD's government and not-for-profit practice and acted as the firm's principal contact with GASB. Since retirement, he has been serving as a CPE instructor for the AICPA. He also has been a member of AICPA's Auditing Standards Board and Board of Examiners.

Partner Mike Engle currently serves on the AICPA Exempt Organizations Taxation Technical Resource Panel. This panel identifies issues and develops policies by monitoring legislative activity, suggesting regulatory changes and developing products and services to assist members with their tax practices.

Mike also is one of three members appointed in May 2017 to a three-year term on the IRS's Advisory Committee on Tax Exempt and Government Entities (ACT), which with its seven returning members will present reports and recommendations to IRS leadership regarding operational policy and procedural improvements affecting tax-exempt and governmental organizations. Specific topics ACT project teams will explore include replacement plan requirements of the Federal Insurance Contributions Act (FICA), changes to the ACT and expansion of online accounts.

BKD advisors also actively serve as participants, exhibitors, speakers and sponsors in regional and national associations for governmental organizations, including:

- ▶ Mississippi Association of Planning and Development Districts (MAPDD)
- ▶ Mississippi Municipal League (MML)
- ▶ Mississippi Society of CPAs (MSCPA)
- ▶ Association of Government Accountants (AGA)
- ▶ Government Finance Officers Association (GFOA)
- ▶ National League of Cities (NLC)
- ▶ National Tribal Gaming Commissioner/Regulators (NTGC/R)
- ▶ Native American Finance Officers Association (NAFOA)

When potential matters for inclusion are identified, we methodically research the facts with client personnel to verify the facts, as we understand them, are accurate and that we have a solid understanding of the matter before drafting our management letter. We then allow management to review a draft of the management letter to identify whether we have captured all relevant information for each matter. We also encourage clients to incorporate their responses into our letter so those charged with governance can have any planned corrective actions available to them.

An in-depth description of our audit process is included in the Appendix.

(h) Describe the process by which the firm reviews the audit report and opinion with clients.

At BKD, we understand the importance of good communication. Once we commence final fieldwork, we ask for management's participation in meetings to review the results to allow for early identification and rapid responsiveness to issues so corrective actions, if necessary, can be taken before our work is completed. We also share results formally through our letters and presentations to management and the board of commissioners, as well as opportunities for improvement through conversations during the audit process. We don't like surprises and we believe you don't either, which is why we strive to effectively communicate issues or deficiencies with management as they arise. This follows our core principle of putting the moose on the table.

Putting the Moose on the Table

This phrase comes from our book, **The BKD Experience: Unmatched Client Service**. It sets the expectation of our professionals to resolve issues sooner rather than later.

When we identify an issue, our job is to make you aware of its potential, even if we may not yet have all the facts or the appropriate conclusion. While alerting you to a question may cause concern, delaying the discussion can cause excess work, additional communication and delays in delivering the results of your audit.

(i) Describe the firm's closing meeting process.

During the exit conference, we will discuss the results of the engagement and provide advice, suggestions and solutions to help address future issues, including ways to help improve your operations. Our presentation to management, and ultimately the board of commissioners, will include upcoming accounting and regulatory issues, along with relevant interpretations and discussion.

In addition, we want to be confident our comments and recommendations are understood and audit findings or exceptions, if any, are vetted by management before communication with the Corporation.

SUPPORT

"Having financial statements completed by the Authority's statutory deadline is crucial for us. BKD has met or exceeded our scheduled completion date every year with audit reports that are timely and professionally done."

Justin Noll

Controller
Colorado Water Resources & Power Development Authority
Denver, Colorado

BKD's Secure Technology

BKD uses high-quality security technologies coupled with a multilayered security approach to protect firm and client data. The following are examples of the security technologies in use:

- ▶ Redundant layer 7 firewalls
- ▶ 24/7 monitored intrusion prevention systems
- ▶ Weekly vulnerability scanning
- ▶ Full-disk encryption on all servers and workstations
- ▶ Anti-virus programs on all systems
- ▶ Host-based intrusion prevention
- ▶ Same month as release patching
- ▶ VPN for remote access
- ▶ Encrypted email systems
- ▶ TLS v1.2 or higher for client portal access

Audit Trail Report

(b) Is an audit trail report available, showing all activity, by whom and when, for each system?

BKD's primary auditing software, CCH® ProSystem fx Engagement, provides an audit trail of certain actions on a workpaper by workpaper basis. In addition, this system allows for a comprehensive system of review and approvals via workpaper sign-off by a preparer, reviewer, and if needed, a secondary reviewer. It is BKD's policy all workpapers be subject to some level of supervisory review. Furthermore, other workpapers related to planning, risk assessment and report preparation may require a secondary supervisory review by the concurring review partner.

Insurance

(c) Describe the types of insurance and bonding carried.

BKD maintains professional liability insurance coverage to protect us in the unlikely event substantial litigation would ever threaten our financial stability. The firm's Governing Board determines the appropriate amount of coverage, considering the nature of our clientele, the services we perform and other factors. Our coverage is comparable to or exceeding that of other firms our size and what one might expect of a firm of our size and nature. We maintain additional commercial insurance coverage, which includes general liability, excess general liability, auto liability, workers' compensation, etc.

BKD does not bond our employees as is consistent with other CPA and advisory firms of similar size and nature. However, BKD does maintain a crime insurance policy to protect the firm in the unlikely event of employee misconduct, including theft, forgery, computer fraud and funds transfer fraud. Our crime insurance policy coverage limit is \$5 million. If engaged, we can provide copies of our insurance certificates as needed.

For further clarification, our hourly rates for the Audit of Financial Statements, Books and Records will be as follows:

Staff Levels	Hourly Rates
Partner	\$300–\$450
Manager	\$200–\$350
Senior	\$175–\$225
Staff	\$135–\$175

The hourly rate ranges above will be held firm for 90 days. Our fees may increase if our duties or responsibilities change because of new rules, regulations and accounting or auditing standards. We will consult with you should this happen.

8. References

Provide a list of the names, telephone numbers and addresses of not less than three (3) clients of similar size to the Corporation. Include the length of time they have been clients of the firm.

Our clients are our best ambassadors, and we encourage you to contact them about their satisfaction with our services. The following clients have consented to discussing BKD's services and service delivery with you at your convenience.

Nebraska Lottery*

Mr. Dennis Nelson
Finance Director
402.471.6100
127 Northwest 17th Street
Lincoln, NE 68528
Client Since: 2002

The Hoosier Lottery, State of Indiana*

Ms. Carrie Stroud
Chief of Staff
317.264.4840
1302 North Meridian Street
Indianapolis, IN 46202
Client Since: 2013

Oklahoma Lottery Commission*

Mr. Rollo Redburn
Executive Director
405.522.7700
3817 North Santa Fe
Oklahoma City, OK 73118
Client Since: 2016

Mississippi State Department of Health*

Ms. Sharon Dowdy, CPA, CFE, CPM
Chief Financial Officer
601.576.7354
570 East Woodrow Wilson Avenue
Jackson, MS 39215
Client Since: 2016

State of Mississippi, State and School Employees' Life and Health Insurance Plan*

Mr. Richard Self
State Insurance Administrator
601.355.5557
P.O. Box 24208
Jackson, MS 39225
Client Since: 2011

Mississippi Joint Legislative Committee on Performance Evaluation and Expenditure Review*

Mr. James A. Barber
Executive Director
601.359.1226
501 North West Street | Suite 301-A
Jackson, MS 39201
Client Since: Prior to BKD's Jackson merger in 2008

**Unmatched client service isn't
just a slogan at BKD; it's the
backbone of our culture.**

Theodore D. Dickman, CPA
Chief Executive Officer | BKD

APPENDIX

Financial Statement Audit In Accordance with *Government Auditing Standards* Service Description

What is an Audit?

Auditing standards set the technical requirements for our process, culminating with the expression of our opinion on the presentation of your financial statements. Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

What is an Audit Experience?

While auditor selection should start with evaluating technical competence, it also should extend to your expectations for a service experience. Your audit experience includes how your engagement is managed, how you and your team are treated, the quality and timeliness of communication you receive and your confidence in the results and guidance you receive. We want you to consider our philosophy around independence, integrity and quality, along with our commitment to unmatched client service and the strength of your proposed engagement team.

The BKD Differences That Matter

<p>People</p>	<p>Our people are key components of what differentiates a BKD audit. Through intentional training and our firm culture, our teams integrate a commitment to quality with an appreciation for client needs and expectations. We also bring relevant industry experience, which means you will not be required to train our staff.</p>
<p>Leadership</p>	<p>The engagement executive managing your audit will maintain a high level of involvement with the Corporation by delegating appropriate tasks to other audit team members as needed while remaining engaged with you and the audit team. Our engagement executives are on site and participate in the supervision and delivery of your audit.</p>
<p>Communication</p>	<p>Challenging matters or simple misunderstandings can arise, and they shouldn't be ignored. While our responsibility is to issue an appropriate opinion on your financial statements, it is important for us to help keep your team informed of issues as they occur and recommend the appropriate solution. Our philosophy is to be courteous and professional, communicate timely and make reasonable requests. We are committed to treating you and your team with openness, candor and respect.</p>
<p>Technology</p>	<p>Technology plays a growing role in our audit as we adopt new tools to enhance our effectiveness and efficiency. We have invested heavily in improving dynamic workflows and increasing our audit data analytics capabilities. Though we use traditional tools such as Excel, we also delve deeper into analytic tools with TeamMate Analytics and ACL, unstructured data with Kira and artificial intelligence and trend analysis with MindBridge. These technologies, combined with our secure portal, help improve our results, enhance your experience and increase the insight we can provide.</p>

Onboarding & Project Management

Your BKD audit experience starts as soon as you select us. Our priorities include building rapport with your team, developing a deeper understanding of your operations and collaborating with you on the design and expectations of our service relationship. These efforts are part of the BKD Smooth Transition™ approach. The proposal process has provided us with the basics of your organization, but learning more will help us serve you better.

Gathering Evidence

Once the plan is complete, we will execute the audit through a combination of on- and off-site work performed in accordance with the agreed-upon timeline.

Reviewing the Work

Critical to our process is a review of the team's work by our engagement executive, as well as a quality review by another executive who is independent from the detailed work. The quality review is designed to improve our deliverable by providing a fresh perspective and reinforcing quality.

Sharing Our Results

We base our audit opinion on the evidence gathered and then communicate our findings. Professional standards drive the content of our opinion and the required communication about any deficiencies and other items we may identify during the audit. Beyond these requirements, we share results formally through our letters and presentations to management and the board of commissioners, as well as opportunities for improvement through conversations during the audit process.

Broad Audit Risk Considerations

Some risk considerations apply across nearly all of our audits. We pay particular attention to the following items:

Significant Accounting Estimates

Nearly all financial statements have significant estimates in amounts and disclosures, even when not readily apparent. Estimates may include amounts ultimately collectible from third parties, expected losses or costs occurring at a specific amount and time, etc.

We will gather information supporting management's estimates and challenge key assumptions used to develop these amounts. We also will test estimates on available data and historical trends and document our conclusions on the reasonableness of recorded amounts.

Risk of Management Override of Controls

When considering fraud, auditing standards require evaluating the risk that management could override existing controls. We will perform interviews of selected individuals, apply an element of unpredictability in our testing and brainstorm as a team to evaluate risks and possible actions based on our observations. We also will perform journal entry testing, review estimates for bias and significant changes and consider the business rationale for significant unusual transactions.

Revenue Recognition

Professional standards include a rebuttable presumption that for each audit, there is a risk of material misstatement due to fraud relating to improper revenue recognition. Our approach is to gain an understanding of the revenue recognition criteria and policies and then perform a variety of inquiry, analytical and substantive audit procedures to confirm our understanding.

Pensions & Other Post-Employment Benefit Obligations

Due to the subjective nature of the estimation processes associated with determining the estimated Other Post-Employment Benefit (OPEB) obligations liability, we will obtain and test the specific actuarial calculations for the OPEB liability. First, we will evaluate the professional qualifications and reputation of the actuary. We will read the actuarial reports to obtain an understanding of the methods and assumptions employed and evaluate the cost method used and the significant assumptions underlying the actuarial calculations. Select testing of the underlying data used in the calculation will be performed. We will evaluate the valuation, cost and amortization methods for consistency. The other significant underlying assumptions such as discount rates, rates of return and medical cost trends will be compared with independent external studies of assumptions by such noted organizations as Milliman Medical Index, SEI Pension Accounting Research Series and the Towers Watson annual health care trend survey.

IT

We may use IT audit professionals and employ audit procedures to test whether the controls within your IT environment are sufficient to allow us to rely on the information generated by your IT platform. These tests will include identification of critical internal controls, detailed walkthroughs of transactions, testing the functionality of the key IT controls identified and review of change management protocols, access controls and overall IT security.

GASB Issues New Lease Standard

With the upcoming GASB 87, the way leases are handled in public sector accounting is about to change. While this new rule is intended to provide clarity for users of financial statements, it brings a host of considerations for both lessors and lessees. Governmental entities will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. GASB 87 is effective for financial statements for fiscal years beginning after December 15, 2019; however, earlier application is encouraged.

Additional Internal Audit Considerations

Although not requested in your RFP, we have provided the following approach to demonstrate how BKD can help the Corporation implement an internal audit function. If engaged to perform both external and internal audit services, we would evaluate relevant independence considerations from the AICPA's Code of Professional Conduct, as well as those defined in Generally Accepted Government Auditing Standards. Due to our depth of resources, separate internal and external audit engagement teams can be provided to uphold integrity and independence throughout our working relationship. If the Corporation would like more information about this service, please contact Director Wil Crawford.

Implementation of an Internal Audit Function

Regardless of an organization's size or type, an effective internal audit function can help proactively identify critical risks and evaluate the effectiveness of mitigating controls in support of strategic plans. Internal audit functions help provide assurance to management that organizational policies and procedures are being followed consistently, risks are being adequately mitigated and potential trouble areas are being proactively identified.

BKD's approach to implementing an internal audit function will be tailored to the requirements and needs specific to the Corporation. We will work closely with you to include only project items applicable to your organization and strategy.

We propose a phased approach to address your initial statement of work.

Phase 1: Developing the Infrastructure

Phase 1 is focused on strategy, infrastructure, purpose and empowerment of the internal audit function. We will begin by assigning a dedicated project manager to your engagement. We also will proactively introduce ourselves to your team and gain a clear understanding of expectations and priorities. Tasks in Phase 1:

- ▶ Identify key stakeholders, internal and external, and define expected outcomes
- ▶ Understand requirements of the internal audit director and draft a job description
- ▶ Assist with the selection of an internal audit director, including assistance with assessing resumes and conducting interviews
- ▶ Introduce the professional internal audit standards to management
- ▶ In support of the newly formed function, BKD will assist you with drafting an internal audit mission statement and/or charter for consideration and approval by the Corporation

Phase 2: Organizing the Function

Phase 2 is focused on defining and implementing the internal audit processes and annual cycle. BKD will:

- ▶ Assist the internal audit director with development of a formal risk assessment process
- ▶ Identify the auditable units and audit universe
- ▶ Focus on the following risk areas in the enterprise-wide risk assessment process:

■ Entity level risk	■ Staffing risk
■ Strategic risk	■ Reputational risk
■ Financial risk	■ Compliance risk
■ Legal/regulatory risk	■ Technology risk
■ Operational risks	■ Information & data security risk

During the initial phase, we meet with process owners to gain an understanding of their responsibilities, concerns and objectives. An initial request for key documentation, such as policies and procedures, process flowcharts, organization charts and management reports, will follow.

We will schedule a kickoff meeting where we will:

- ▶ Provide clarification on the scope
- ▶ Discuss timing
- ▶ Identify key points of contact and discuss roles and responsibilities
- ▶ Answer any questions or address concerns

Throughout the internal audit project, we will provide weekly updates on the project status and any concerns with the timeline.

The information gathered and the topics discussed in the initial phase will be used to further refine scoping and planning procedures, which will be documented in Phase 2.

Phase 2: Documentation

During the documentation phase, we will focus on understanding and documenting the in-scope processes via flowcharts where we include details on key controls, information systems and the flow of data through your organization.

We leverage existing documentation, if any, to help streamline our procedures. We also will evaluate the design of the control and discuss with you any noted deficiencies. We will consider the significance of each and provide recommendations for control design enhancements.

BKD will create our validation procedures for the remaining controls, which will be tested in Phase 3 for operating effectiveness. In designing our testing approach, BKD will evaluate the feasibility of using a data-centric approach. In doing so, we are able to cover a larger population and provide greater confidence using our automated procedures versus the traditional sampling approach.

For routine processes and transactions, BKD can create and provide automated scripts for use in your continual audit monitoring efforts.

Phase 3: Testing

The Corporation's proposed engagement team will perform testing efforts to assess the level of operating effectiveness of key controls. We will:

- ▶ Request and obtain additional documents and evidence for testing procedures in areas where we may not be able to rely solely on data analytics
- ▶ Discuss and fully vet any potential control deficiencies with management throughout the project
- ▶ Formulate recommendations to address agreed-upon control deficiencies

We will draft a report as the project moves into the final phase.

Thinking of Your Future

As previously mentioned, we believe the following services could be relevant to the Corporation.

IntegraReport

Studies indicate that a typical organization loses 5 percent of its annual revenue to fraud and that the most common method of detecting fraud is through tips from employees. BKD offers a confidential way for the Corporation's employees to report suspicious activity to help strengthen your antifraud program. BKD's **IntegraReport** hotline is accessed via an anonymous phone hotline or web-based portal and is monitored by BKD fraud professionals. The service includes providing your management with verbatim report transcriptions of tips reported to the hotline in a clean and easy to understand format. We also can provide assistance with hotline implementation, industry-specific fraud awareness training, hotline promotional materials, investigative services and forensic data mining services.

Internal Audit

Internal audits help identify whether organizational policies and procedures are being followed consistently and to specify potential areas in which controls may be weak or nonexistent. BKD's internal audit approach also can identify opportunities for improved efficiencies in many operational areas. We will work with you to tailor our approach, focusing on higher risk operational areas or operational areas of specific concern, which can help improve audit quality and lower costs.

Cybersecurity Risk Assessment

BKD Cyber consultants will work with management to identify areas of business risk arising from potential disclosure, modification or loss of personally identifiable information (PII) or electronic protected health information (ePHI). In addition, we will identify the maturity level of the Corporation's current cybersecurity processes/controls and assign a high, medium or low risk rating. Risk severity will be identified by assessing the likelihood of a breach occurring as well as the potential downstream effects.

Finally, we will work with management to create a remediation road map and recommended timeline, based on the risk severity identified. This timeline will assist the Corporation's management in effectively allocating financial resources or personnel that may become necessary.

Throughout this process, BKD consultants will maintain a high level of open and frequent communication with the Corporation's management to better understand your needs and constraints. The Corporation can expect questions and ideas that promote conversation.

Your proposed team will work on site and assist in facilitating effective service coordination and schedule flexibility, as well as improving lines of communication. Weekly status meetings are part of our service approach.

BKD's cybersecurity assessment approach comprises four distinct phases. A focus on project management and frequent client communication means the Corporation can be confident engagement objectives are addressed.

Public Sector Consulting Services

BKD's Public Sector Consulting practice has the experience to help the Corporation improve your operations and management across the wide range of local government functions, including public safety, public works, construction permitting and fleet and facilities maintenance operations.

We can help you drive improvement by employing competitive tools that include:

- ▶ Developing an organizational infrastructure to assist in replicating successful strategies
- ▶ Using market-driven approaches such as managed competition, outsourcing, public-private partnerships and government by network
- ▶ Creating financial incentives for employees and contractors (pay for performance)
- ▶ Changing incentives for consumers to help drive efficient behaviors
- ▶ Developing performance measurement and activity-based costing approaches
- ▶ Employing big data analytics to help improve policy and program efficiency
- ▶ Reinventing labor-management strategies and using exceptional ideas for service improvement that employees may have

In addition, most organizations generate massive volumes of business data, creating challenges for those looking to use that data. Using performance measurement and data analytics techniques to identify service cost and quality issues, BKD can help the Corporation find ways to more efficiently and effectively spend public funds.

With extensive experience analyzing large amounts of data, our team can develop practical management tools to provide insight into your organization's performance.

Enterprise Risk Management Implementation

Our practical experience designing, implementing and operating ERM programs means we can recommend innovative ideas to help you make critical business decisions, improve your current business processes and strategies and prepare for future growth. Our implementation approach highlights the value of an effective ERM program using the following important concepts:

- ▶ The Corporation should be aware of and understand your risks, and those risks should be documented in an easy-to-understand format
- ▶ Risks should be periodically analyzed and prioritized in a way that allows the Corporation to compare risks across multiple departments, disciplines and time frames
- ▶ The Corporation needs a dynamic ongoing process to identify changes and emerging risks
- ▶ Your ERM process needs governance, oversight and open communication

AICPA Peer Review Letter



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

October 26, 2017

Theodore Dickman
BKD, LLP
201 N Illinois St Ste 700
Indianapolis, IN 46204 4224

Dear Theodore Dickman:

It is my pleasure to notify you that on October 26, 2017, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is November 30, 2020. This is the date by which all review documents should be completed and submitted to the administering entity.

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

Thank you for your cooperation and support of the profession's practice-monitoring programs.

Sincerely,

A handwritten signature in black ink that reads "Michael Fawley". The signature is written in a cursive style.

Michael Fawley
Chair - National PRC
nprc@aicpa.org 919-402-4503
National Peer Review Committee

CC: Candace Wright, L Bennett

Firm Number: 900010002800

Review Number: 552103

BKD Firm Profile

BKD CPAs & Advisors can help individuals and businesses realize their goals. Our dedicated professionals offer solutions for clients in all 50 states and internationally. BKD and its subsidiaries provide a variety of services, combining the insight and ideas of multiple disciplines in a wide range of industries.

About BKD



Unmatched Client Service

You want industry expertise delivered by someone who speaks your language and understands your issues. Someone who can help you solve problems with a formula that's equal parts integrity, innovation, excellence and passion. BKD understands. We're so committed to providing unmatched client service that we wrote a book about it—**The BKD Experience: Unmatched Client Service**.



International Solutions

BKD is one of the largest North American members of Praxity, AISBL*, a global alliance of independent firms serving clients in approximately 100 countries. We offer multinational clients a gateway to the global marketplace with services delivered by alliance firms committed to the highest standards required in international business.



Professional Affiliations

BKD is a member of the American Institute of CPAs and its three quality centers: Center for Audit Quality, Employee Benefit Plan Audit Quality Center and Governmental Audit Quality Center.

BKD is registered with the Public Company Accounting Oversight Board, which is required to serve as an independent auditor of public companies. BKD audits approximately 80 U.S. Securities and Exchange Commission registrants, including approximately 35 benefit plans.



Mission Statement

The mission of BKD is to always strive for excellence in providing services to clients, create rewarding career opportunities and maintain sound professional, business and financial standards.



Quick Facts

- Clients: Individuals and private and publicly traded businesses in the health care, manufacturing, distribution, financial services, construction and real estate industries, as well as not-for-profit and governmental entities
- Total Personnel: Approximately 2,710
- Partners & Principals: Approximately 300
- Net Revenues: \$609 million
- Fiscal Year-End: May 31
- Founded: 1923
- Locations: 38 offices serving clients in all 50 states and internationally

*Praxity, AISBL is a global alliance of independent firms. Organised as an international not-for-profit entity under Belgium law, Praxity has its executive office in Epsom. Praxity - Global Alliance Limited is a not-for-profit company registered in England and Wales, limited by guarantee, and has its registered office in England. As an Alliance, Praxity does not practice the profession of public accountancy or provide audit, tax, consulting or other professional services of any type to third parties. The Alliance does not constitute a joint venture, partnership or network between participating firms. Because the Alliance firms are independent, Praxity does not guarantee the services or the quality of services provided by participating firms.

BKD Services

- Audit & Assurance
- Tax
- Business Succession Planning
- Employee Benefit Plans
- Forensics & Valuation Consulting
- Information Technology
- Risk Management
- State, Local & International Tax
- Wealth Management
- And More

Everyone needs a trusted advisor.
Who's yours?



EXHIBIT C

(Firm Engagement Letter)

Exhibit C
Engagement Letter

August 19, 2019

Board of Directors and
Mr. Thomas Shaheen, President
Mississippi Lottery Corporation
c/o: Balch & Bingham LLP
188 East Capitol Street, Suite 1400
Jackson, MS 39201

This is an exhibit to the Professional Services Agreement for Auditing Services (the Agreement) between the Mississippi Lottery Corporation (the "Corporation," "you" or "your" as context requires) and BKD, LLP ("BKD," "our" or "we" as context requires) for the year ended June 30, 2019, covering items required to be communicated by professional standards and other terms and conditions that are not covered in the Agreement.

ENGAGEMENT OBJECTIVES AND SCOPE

We will audit the basic financial statements of the Corporation as of and for the year ended June 30, 2019, and the related notes to the financial statements.

Our audit will be conducted with the objectives of:

- ✓ Expressing an opinion on the financial statements
- ✓ Issuing a report on your compliance based on the audit of your financial statements.
- ✓ Issuing a report on your internal control over financial reporting based on the audit of your financial statements.

OUR RESPONSIBILITIES UNDER THE AUDIT ENGAGEMENT

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error.

Board of Directors and
Mr. Thomas Shaheen, President
August 19, 2019

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance having a direct and material effect may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

In making our risk assessments, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls, or management may override the system.

We are available to perform additional procedures with regard to fraud detection and prevention at your request, subject to completion of our normal engagement acceptance procedures. The actual terms and fees of such an engagement would be documented in a separate letter to be signed by you and BKD.

Rob McCoy, CPA, Partner, will oversee and coordinate the engagement. Wil Crawford, CPA, Director, is responsible for supervising the engagement team and authorizing the signing of reports.

We will issue a written report upon completion of our audit of the Corporation's financial statements. Our report will be addressed to the Board of Directors of the Corporation. You are responsible to distribute our reports to other officials who have legal oversight authority or those responsible for acting on audit findings and recommendations, and to others authorized to receive such reports. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis of matter or other matter paragraph(s), or withdraw from the engagement. If we discover conditions that may prohibit us from issuing a standard report, we will notify you as well. In such circumstances, further arrangements may be necessary to continue our engagement.

Board of Directors and
Mr. Thomas Shaheen, President
August 19, 2019
Page 3 of 9

YOUR RESPONSIBILITIES UNDER THE AUDIT ENGAGEMENT

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying and ensuring compliance with the laws, regulations, contracts and grants applicable to your activities; and
4. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the Corporation from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and those charged with governance written confirmation acknowledging certain responsibilities outlined in this engagement letter and confirming:

- The availability of this information
- Certain representations made during the audits for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

Board of Directors and
Mr. Thomas Shaheen, President
August 19, 2019
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The results of our tests of compliance and internal control over financial reporting performed in connection with our audit of the financial statements may not fully meet the reasonable needs of report users. Management is responsible for obtaining audits, examinations, agreed-upon procedures or other engagements that satisfy relevant legal, regulatory or contractual requirements or fully meet other reasonable user needs.

OTHER SERVICES

We will provide you with the following nonattest service:

- Preparing a draft of the financial statements and related notes

In addition, we may perform other services for you not covered by this engagement letter. You agree to assume full responsibility for the substantive outcomes of the services described above and for any other services that we may provide, including any findings that may result. You also acknowledge that those services are adequate for your purposes and that you will establish and monitor the performance of those services to ensure that they meet management's objectives. Any and all decisions involving management responsibilities related to those services will be made by you, and you accept full responsibility for such decisions. We understand that you will designate a management-level individual to be responsible and accountable for overseeing the performance of those services, and that you will have determined this individual is qualified to conduct such oversight.

IMPLEMENTATION OF FIDUCIARY ACTIVITIES STANDARD

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, is effective for fiscal years beginning after December 15, 2018, with retrospective application in the year the update is first applied. Statement No. 84 is expected to significantly change how entities evaluate and report fiduciary activities.

If the Corporation would like to early adopt or begin the process of preparing for the retrospective application of this Statement during the current year's audit, BKD can assist you with this process. Assistance and additional time as a result of the adoption is not included within our standard engagement fees. Our fees as a result of the adoption of the ASU will be based on time expended and will vary based on the level of assistance and procedures required. We will need input and assistance from the accounting department throughout the process of implementation.

Board of Directors and
Mr. Thomas Shaheen, President
August 19, 2019
Page 5 of 9

IMPLEMENTATION OF NEW LEASES STANDARD

Governmental Accounting Standards Board Statement No. 87, *Leases*, is effective for reporting periods beginning after December 15, 2019. Early application is encouraged.

Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Assistance and additional time as a result of the adoption of the Statement is not included within our standard engagement fees. Our fees as a result of the adoption of the Statement will be based on time expended and will vary based on the level of assistance and procedures required, which may include but are not limited to:

- Assisting the Corporation with the evaluation of its current controls and policies for leases and recommended enhancements needed to implement the Statement
- Evaluating and documenting new and revised controls and policies for leases under the Statement
- Assisting the Corporation with the information gathering necessary to implement the Statement
- Assisting the Corporation with the evaluation of its current method for calculating and recognizing lease payments
- Assisting the Corporation with documenting changes from the previous method needed to implement the Statement
- Assistance with drafting of the required disclosures

The time it will take to perform the above assistance and our additional audit procedures relating to the adoption of the Statement, and any time to assist you with the adoption, may be minimized to the extent your personnel will be available to provide timely and accurate documentation and information as requested by BKD.

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OTHER ENGAGEMENT MATTERS AND LIMITATIONS

BKD is not acting as your municipal advisor under Section 15B of the *Securities Exchange Act of 1934*, as amended. As such, BKD is not recommending any action to you and does not owe you a fiduciary duty with respect to any information or communications regarding municipal financial products or the issuance of municipal securities. You should discuss such information or communications with any and all internal or external advisors and experts you deem appropriate before acting on any such information or material provided by BKD.

We can be compelled to provide information under legal process. In addition, we may be requested by regulatory or enforcement bodies to make certain workpapers available to them pursuant to authority granted by law or regulation. You agree that we have no legal responsibility to you in the event we provide such documents or information.

We may from time to time utilize third-party service providers, *e.g.*, domestic software processors or legal counsel, or disclose confidential information about you to third-party service providers in serving your account. We remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information. In the event we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider.

You agree to assume full responsibility for maintaining your original data and records and that BKD has no responsibility to maintain this information. You agree you will not rely on BKD to provide hosting, electronic security or backup services, *e.g.*, business continuity or disaster recovery services, to you unless separately engaged to do so. You understand that your access to data, records and information from BKD's servers, *i.e.*, BKDconnect, can be terminated at any time and you will not rely on using this to host your data and records.

We will, at our discretion or upon your request, deliver financial or other confidential information to you electronically via email or other mechanism. You recognize and accept the risk involved, particularly in email delivery, as the internet is not necessarily a secure medium of communication as messages can be intercepted and read by those determined to do so.

You agree you will not modify these documents for internal use or for distribution to third parties. You also understand that we may on occasion send you documents marked as draft and understand that those are for your review purpose only, should not be distributed in any way and should be destroyed as soon as possible.

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The Corporation may wish to include our report on these financial statements in an exempt offering document. The Corporation agrees that the aforementioned auditor's report, or reference to BKD, will not be included in any such offering document without notifying us. Any agreement to perform work in connection with an exempt offering document, including providing agreement for the use of the auditor's report in the exempt offering document, will be a separate engagement.

Any exempt offering document issued by the Corporation with which we are not involved will clearly indicate that we are not involved by including a disclosure such as, "**BKD, LLP**, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. **BKD, LLP**, also has not performed any procedures relating to this offering document."

You agree to notify us if you desire to place these financial statements or our report thereon along with other information, such as a report by management or those charged with governance on operations, financial summaries or highlights, financial ratios, etc., on an electronic site. You recognize that we have no responsibility as auditors to review information contained in electronic sites.

Any time you intend to reference BKD in any manner in any published materials, including on an electronic site, you agree to provide us with draft materials for our review and approval before publishing or posting such information.

BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of **BKD, LLP** have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, unlike the partners in a general partnership, the partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, including by way of indemnification, contribution, assessment or otherwise, for any debts, obligations or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract or otherwise.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our most recent peer review report accompanies this letter.

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Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities. If the signed copy you return to us is in electronic form, you agree that such copy shall be legally treated as a "duplicate original" of this agreement.

BKD, LLP

BKD, LLP

Acknowledged and agreed to on behalf of

MISSISSIPPI LOTTERY CORPORATION

BY *Michael J. McGrevey*
Dr. Michael J. McGrevey, Chairman

DATE 17 Sep 19

BY *Thomas R. Shaheen*
Mr. Thomas Shaheen, President

DATE 9/13/19

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Postlethwaite & Netterville and Associates, L.L.C.

Report on the Firm's System of Quality Control

To the Partners of
BKD, L.L.P.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, L.L.P. (the firm) applicable to engagements not subject to PCAOB inspection in effect for the year ended May 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, an audit of carrying broker-dealers, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As part of our peer review, we considered reviews by regulatory entities as communicated to the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BKD, L.L.P. applicable to engagements not subject to PCAOB inspection in effect for the year ended May 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BKD, L.L.P. has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 6, 2017