

Request For Proposal

Issued by:

Office of the State Auditor
Jackson, Mississippi

Stephanie Palmertree

Director, Financial and Compliance Division

Submitted by:

Windham and Lacey. PLLC
Certified Public Accountants

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

July 12, 2017

Stephanie Palmertree
Director, Financial and Compliance Division
Office of the State Auditor
Jackson MS

Re: MDEQ Audit of Clean Water Fund

Dear Ms Palmertree,

Please accept the attached proposal for audit services for the Mississippi Department of Environmental Quality for the year ended June 30, 2017.

Thank you for the opportunity to propose on this audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Windham', written over a horizontal line.

Tom Windham CPA

PROPOSAL FOR AUDITING SERVICES

to be provided to

**MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
Clean Water Fund
State Treasury Funds 33597, 53597, 63591, and 66470**

by

**WINDHAM and LACEY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

July 12, 2017

PROPOSAL FOR AUDITING SERVICES

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2015 Peer Review Report

I. FIRM BACKGROUND AND EXPERIENCE

BACKGROUND

Our firm was founded in 1991 and was later organized as a limited liability company under the laws of the state of Mississippi for the practice of public accounting.

Our professional goal is to provide the finest quality services possible, and to do so on a timely basis. We are a member of the American Institute of Certified Public Accountants (AICPA) and participate in the peer review program of our accounting and auditing practices. We are also members of the Mississippi Society of Certified Public Accountants.

EXPERIENCE

Some of our long-standing and/or recurring audit engagements are as follows:

Department of Health – Drinking Water State Revolving Loan Fund

Contact: Roger Gilbert, 601-576-7738, roger.gilbert@msdh.ms.gov

Department of Environmental Quality – Clean Water State Revolving Loan Fund

Department of Environmental Quality – Selected Funds

Department of Environmental Quality – HUD/MDA Sub-Grant Fund 5358900000

Department of Environmental Quality – Schedule of Federal Grant Activity Transferred
In From Another State Agency

Contact for all MDEQ audits: Ginny Mizelle, 601-961-5381,
ginny_mizelle@deq.state.ms.us

City of Pearl

Contact: Mayor Jake Windham, 601-932-3500

Pike County

Contact: Daniel Calcote, 601-783-5289, danielc@co.pike.ms.us

Yazoo County

Contact: Donna Kraft, 662-746-8668, admin@yazoocountymms.gov

Grenada County

Contact: Johnny Hayward, 662-226-1821, jhayward@grenadacountymms.org

We have also audited many more government entities and can provide a total list if requested.

The members of the audit team whose resumes are included in the proposal, Tom Windham, Luann Ainsworth and Lynda Dutton, participated in the work referenced above. Tom Windham is the audit manager.

Our current and prior audit engagements and professional background have allowed our firm to attain the necessary experience and qualifications needed to effectively and efficiently perform audits of state and local governments and federally regulated programs. We have a comprehensive knowledge of GASB obtained through years of

experience and continuing professional education. We have audited various government agencies, counties and municipalities for 24 years.

II. PEER REVIEW

See our most recent PEER Review report attached. Note that our peer review only included reviews of government engagements.

III. PROFILE AND LOCATION OF THE FIRM

PROFILE

Currently, our practice includes services such as financial statement audits, compilations, and agreed-upon procedures engagements, as well as tax and management advisory services.

The firm is a limited liability company with two CPA members, an attorney member, and an accounting professional member, four senior accountants and six para-professionals. In addition, the firm regularly employs four CPA professionals as contractors to work on various projects. Our audit practice is structured so that we are able to serve our clients in a timely manner. The firm has averaged 14 employees over the past three years.

The firm possesses the equipment, facilities and financial resources to perform the work contemplated in this proposal. We have occupied a completely equipped office space in Pearl MS since 2004 that is owned by one of the members of the firm. The firm is financially secure.

LOCATION

The firm currently maintains its principal office in Pearl, Mississippi and one other office in Crystal Springs, Mississippi.

IV. RESUMES OF ASSIGNED PERSONNEL

We have designated professionals for involvement with this engagement based on their experience in governmental auditing, as well as their overall experience with accounting and auditing services. Our personnel will communicate with Mississippi Department of Environmental Quality staff on a regular basis to ensure client satisfaction and prompt professional service. Brief resumes of the individuals to be assigned to the Mississippi Department of Environmental Quality audit follows. We will make every effort to have these individuals assigned to the audit for the entire audit period.

Tom Windham, CPA will be the audit manager on this project. Luann Ainsworth will be the primary auditor and project manager. Lynda Dutton is staff auditor. Luann Ainsworth and Lynda Dutton are CPA professional contractors who have been chosen to work on this audit because of their extensive experience with the state government

accounting systems, their audit experience with the Office of State Auditor, and their experience with previous audit work for the Department of Environmental Quality as listed above.

RESUME

Tom Windham, CPA
2708 Old Brandon Road
Pearl, MS 39208
(601) 939-8676

EDUCATION AND PROFESSIONAL MEMBERSHIPS

Former Chairman, Mississippi State Board of Public Accountancy
American Institute of Public Accountants
Mississippi Society of Certified Public Accountants
BSBA Mississippi College, Clinton, MS
MBA Mississippi College, Clinton MS
Mississippi Certificate Number 2591

PROFESSIONAL EXPERIENCE

2/91 to present

Certified Public Accountant in Public Accounting Practice with primarily governmental and not-for-profit audit clients as well as an extensive tax, consulting, and write up practice.

9/81 to 2/91:

Rankin Medical Center and Union Health Care Inc.
Administrative and Financial Management Positions

General direct responsibility for all areas of hospital operations and financial management.

PROFESSIONAL AND COMMUNITY AFFILIATIONS

Pearl Chamber of Commerce
Kiwanis Club
Mississippi Association of Public Accountants

LUANN S. AINSWORTH, CPA, CGFM

SUMMARY OF QUALIFICATIONS

Offering over 29 years experience with expertise in
governmental financial accounting, auditing and management.
Licensed Certified Public Accountant – Certified by Mississippi
State Board of Public Accountants, 1987
Certified Government Financial Manager
Experienced with Excel, WordPerfect, Word, TurboTax, Go Fund
Experienced with SAAS, SPAHRS, GAAP packets, and MERLIN
Knowledgeable of Government Accounting Standards Board
pronouncements requiring new financial reporting

WORK EXPERIENCE

November 2006
To Present

SELF EMPLOYED

Perform audits of municipalities through contract with Windham and Lacey,
PLLC
Prepare GAAP packages for state agencies
Prepare MD&A for municipality

Feb. 2004 to
October 2006

SELF EMPLOYED

Part time accounting and tax contract work

July 1994 to
Jan. 2004

MISSISSIPPI DEPARTMENT OF PUBLIC SAFETY

Bureau Director I, II

- Direct the bureau of federal grant accounting and payroll for the agency
- Responsible for budgets, financial reporting, accounting and purchasing
- Ensure compliance with federal and state laws and regulations
- Select personnel for the accounting office
- Work with others in the formulation for policies

July 1989 to
June 1994

MS DEPARTMENT OF FINANCE & ADMINISTRATION

Bureau Director I

- Responsible for accounting, purchasing and financial reporting
- Verify federal pass through agencies complied with federal regulations
- Review independent CPAs audits and workpapers of subgrantees
- Select personnel for the office
- Work with others in the formulation of policies

Work Experience Continued

Jan. 1987 to
June 1989

MS FEDERAL-STATE PROGRAMS

Bureau Director I

- Verify federal pass through agencies complied with federal regulations
- Conduct audits of the subgrantees
- Conduct internal audits for the agency
- Review independent CPAs audits and workpapers of subgrantees
- Select personnel for the office
- Work with others in the formulation of policies

Aug. 1985 to
Dec. 1986

MS FISCAL MANAGEMENT BOARD

Administrative Division Director

- Responsible for accounting, purchasing and financial reporting
- Responsible for the agency's budget and policies and procedures
- Coordinate the statewide cost allocation plan
- Select personnel for the division

July 1979 to
Aug. 1985

MS DEPARTMENT OF AUDIT

Auditing Accountant

- Responsible for audits of state agencies and charity hospitals including audit of Institutions of Higher Learning's executive office
- Test compliance with state federal laws and regulations
- Assist the investigative division
- Assign and monitor work of subordinates

July 1976 to
July 1979

Various part-time jobs while in college

EDUCATION MISSISSIPPI COLLEGE

Bachelor of Science in Business Administration – May 1979

Major: Accounting

JONES COUNTY JUNIOR COLLEGE

Associate in Arts – May 1977

PROFESSIONAL AFFILIATIONS

Member – American Institute of Certified Public Accountants

Member – Mississippi Society of Certified Public Accountants

Member – Central Chapter, MSCPA

Member – Association of Government Accountants

Licensed Certified Public Accountant #3475, State of Mississippi

Certified Government Financial Manager #6259

LYNDA R. DUTTON, CPA

EMPLOYMENT HISTORY:

Oct. 2013-Present

Self-employed CPA contracting with local CPA firm (Windham and Lacey, PLLC) for assistance in conducting governmental audits.

July 2007 – April, 2011

Deputy Administrator

Mississippi Governor's Division of Medicaid, Walter Sillers Building, 10th floor, 550 High Street, Jackson, Mississippi 39201

Management oversight of accounting, budgeting and financial reporting, as well as, grants management, information system administration, personnel office, agency operation's office (fleet management, receipt and delivery, records management, fixed asset management and duplication services), program integrity, and third party recovery.

Jan. 2004 – June 2007

Self-employed CPA contracting with state agencies for accounting services and with local CPA firm (Windham and Lacey, PLLC) for assistance in conducting governmental audits.

Aug. 1998 – Dec. 2003

Deputy Director (2003), Comptroller (2001-2002), Manager, Accounting and Finance (1998-2001), Mississippi Development Authority, P.O. Box 840, Jackson, MS 39205.

Chief Financial Officer for large state agency with oversight over financial accounting and reporting, budgeting, contracting, payroll, state and federal financial compliance, purchasing, fixed assets, information systems, and office operations.

Sept. 1988 – July 1998

MMRS Functional Director (1993-1998), Deputy State Fiscal Officer (1988-1992)

Mississippi Department of Finance and Administration, P.O. Box 267, Jackson, MS 39205.

Managed daily operations of large state agency. Managed cash flow operations of the State's General Fund, testified before legislative committees, participated in several bond closings and financing agreements and served on the Public Procurement Review Board. Coordinated statewide agency efforts in the implementation of the statewide payroll and human resource system, the statewide accounting system and the state's executive information system.

May, 1979 – Dec. 1987

Various positions within Office of State Auditor's Office

Office of State Auditor, P.O. Box 956, Jackson, MS 39201

While briefly serving as Assistant State Auditor, assumed duties of State Auditor in his absence, directed executive staff, reviewed and approved all audit reports issued. While serving as Audit Supervising Senior successfully planned, organized and led the development of Mississippi's first Comprehensive Annual Financial Report, instructed state agency accountants through numerous seminars on the development of financial statements and developed the first state procedures manual for state agency accounting, purchasing, budgeting and travel. While serving as in charge auditor, audited a number of large state agencies including Department of Health, Department of Education and Department of Rehabilitation Services.

EDUCATION AND CERTIFICATION: CPA Certificate issued by the Mississippi State Board of Public Accountancy, License #2783 in 1983. Received B.S. in Accounting, Mississippi College, Clinton, MS in 1979 – in 1970 received BS in Business Education from Mississippi College, Clinton, MS.

OTHER ACTIVITIES: 2003-2005: President of the Jackson Chapter of the Association of Government Accountants (AGA). Member of AICPA, State Society of CPA's, and AGA. Served four year term as member on the Committee on Financial Reporting of the Government Finance Officers Association. In January 2009 my article entitled "One State's Perspective on Health Care Reform" was published in the AGA Journal of Government Financial Management. Currently serving as Treasurer of Mississippi Chapter G, Philanthropic Educational Organization, member of St. Mark's, Brandon, MS Finance Committee, and Sunday School Teacher.

REFERENCES: Numerous personal and professional references can be provided upon request.

V. UNDERSTANDING, APPROACH AND METHODOLOGY

Our understanding of the services to be provided to MDEQ are as follows:

We will perform all procedures necessary to issue financial statement reports on certain treasury funds for the State fiscal year ending June 30, 2017 managed by SAO. We acknowledge that audits contracted and requested by SAO are component audits for the presentation of CAFR and will be used as part of an audit of group financial statements. As such, SAO is considered the Group Auditor and that we will comply with all requirements as listed in AU-C 600 – Audits of Group Financial Statements.

The June 30, 2017 GAAP reporting packages and underlying records for each of the selected funds and program will be examined for completeness and accuracy. Adjusting entries will be prepared to the trial balances generated by the Department of Finance and Administration (DFA). These adjusting entries will be prepared on the DFA adjusting entry standardized forms and submitted to agency for approval and SAO for review and processing within the due dates specified by SAO. It is anticipated that the financial statements will be available September, 2017.

Financial statement audits will be prepared for: (1) GAAP reporting packages of the selected funds for the state fiscal year 2017, including a conclusion on the fair presentation of the GAAP reporting packages in conformity with generally accepted accounting principles in the USA, and (2) a conclusion on compliance and internal controls based on an audit of the GAAP reporting packages for the selected funds performed in accordance with Government Auditing Standards.

The auditing services will be made in conformity with the following guidelines and regulations:

1. The standards for financial audits set forth in the U.S. Government Accountability Office's Government Auditing Standards which includes generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.
2. Statements of financial accounting standards as prescribed by the Governmental Accounting Standards Board.
3. Special items or reports prescribed by SAO as set forth in PART VII Audit Services Schedule.

We will conduct the audit in accordance with auditing standards specified herein. Accordingly, we will examine, on a test basis, evidence supporting the amounts and disclosures in the GAAP reporting packages, assess the accounting principles used and significant estimates made by management and evaluate the overall financial presentation.

As a part of our audit, we will consider the agencies' internal control over financial reporting in order to determine auditing procedures for the purpose of issuing a conclusion on the selected GAAP reporting packages and not to provide assurance on the internal control over financial reporting. This consideration will not be sufficient to enable us to render separate opinions on the effectiveness of the internal control over financial reporting.

The objective of the audit is to obtain reasonable assurance about whether the GAAP reporting packages of the selected funds and account groups are free of material misstatement whether arising from errors, fraudulent financial reporting or misappropriation of assets. SAO acknowledges that while effective internal control reduces the likelihood that misstatements of this nature may occur and remain undetected, it does not eliminate that possibility. For that reason and because we will use selective testing in its audit, we cannot guarantee that material misstatements, if present, will be detected.

The GAAP reporting packages referred to above are the responsibility of the management of the agency. In this regard, management is responsible for properly recording transactions in the accounting records and maintaining an internal control sufficient to permit the preparation of reliable financial statements. Management is also responsible for making available to us, upon request, all of the audited agency's original accounting records and related information, and the audited agency's personnel to whom our audit staff may direct inquiries.

As required by applicable auditing standards, we will make specific inquiries of management and others about the representations embodied in the GAAP reporting packages and the effectiveness of the internal control. Generally accepted auditing standards also require that we obtain representation letters covering the GAAP reporting packages from certain members of the audited agency's management. The results of the audit tests, the responses to our inquiries, and the written representations comprise the evidential matter we will rely upon in forming an opinion on the selected GAAP reporting packages. Because of the importance of management's representations to an effective audit, the audited agency agrees to release us and our personnel from any liability and costs relating to their services under this letter attributable to any misrepresentations by management contained in the representation letter referred to above.

We acknowledge and accept the contract terms and Audit Services Schedule as presented in the request for proposals dated June 12, 2017.

The audited agency and SAO may request that we perform additional duties under the contract. Before this work would begin, the audited agency, SAO and we will mutually agree in writing upon the terms, including compensation, for the additional work to be performed.

We acknowledge that the audited agency and SAO are relying on the timely completion of this contract in its scheduling and budgeting and that time is of the essence.

We shall have a certified public accountant (CPA) as the certifying official of the final management reports.

VI. REPRESENTATIONS, AFFIRMATIONS AND CERTIFICATIONS

We affirm that our firm, and all firm members and personnel, are independent of MDEQ as defined by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

We have not violated, and are not violating, and promise not to violate the prohibition against gratuities, set forth in Section 7-204 (Gratuities) of the Mississippi Personal Service Contract Procurement Regulations.

We certify the price submitted has been arrived at independently and without-for the purpose of restricting competition- any consultation, communication, or agreement with any other offer or competitor relating to those prices, the intention to submit a proposal, or the methods or factors used to calculate the prices proposed.

We have not retained anyone to solicit or secure a State contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except as disclosed in our proposal.

VII. SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

We will bill MDEQ for the services contemplated and described herein at our billing rate of \$100.00 per hour. We do not expect audit hours to exceed 135 hours. In addition, we anticipate out-of-pocket expenses related to these services to not exceed \$250.00. Therefore, we do not expect total audit costs to exceed \$13,750.00. If during our audit we encounter unanticipated problems that may require additional work, we will discuss that matter with you before proceeding.

VIII. FIRM CONTACT

Tom Windham, CPA
2708 Old Brandon Road
Pearl, Mississippi 39208

Mississippi State Board of Accountancy Firm Registration Number F0776
DUNS # 058788207
Tax ID Number – 64-0929901

Phone: (601) 939-8676
Fax: (601) 939-8761
tomwind@windhamandlacey.com

Windham and Lacey, P.C.



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

System Review Report

To the owner of
Windham & Lacey, PLLC
and the Peer Review Committee of the
Mississippi Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Windham & Lacey, PLLC, (the firm) in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards of Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards.

In our opinion, the system of quality control for the accounting and auditing practice of Windham & Lacey, PLLC, in effect for the year ended December 31, 2014, 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*. Windham & Company, PLLC, has received a peer review rating of *pass*.

BRIDGERS & GOODMAN, PLLC

Bridgers & Goodman, PLLC

Vicksburg, Mississippi
June 08, 2015



MSCPA Peer Review Program

Administered in Mississippi by the
Mississippi Society of CPAs
July 28, 2015

AICPA Peer Review Program

Administered in Mississippi by the
Mississippi Society of CPAs

Thomas Wayne Windham, CPA
Windham & Lacey PLLC
2708 Old Brandon Rd
Pearl, MS 39208

Dear Mr. Windham:

It is my pleasure to notify you that on July 23, 2015 the Mississippi Peer Review Executive Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is June 30, 2018. This is the date by which all review documents should be completed and submitted to the administering entity.

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

Sincerely,

Charles R. Prince
Charles R. Prince

Chairman

charles.prince@charlesprincecpa.com 601 8492544

cc: David L. Bridgers

Firm Number: 10124225

Review Number 370505

Letter ID: 1006881