

PROPOSAL TO SERVE
SOUTH CAROLINA STATE AUDITOR'S OFFICE
TO PERFORM AN EXAMINATION OF INTERNAL CONTROLS OF THE
SOUTH CAROLINA DEPARTMENT OF MOTOR VEHICLES

Submitted by

THE HOBBS GROUP, P.A.
Certified Public Accountants and Consultants

1704 Laurel Street
Columbia, South Carolina 29201

(803) 799-0555

Contact Person: Christina R. Kelly, CPA
Shareholder

Dated October 7, 2010

**PROPOSAL TO SERVE
SOUTH CAROLINA STATE AUDITOR'S OFFICE**

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Mark T. Hobbs, CPA
Eldora T. Whitcomb, CPA
Malynda M. Grimsley, CPA
Christina R. Kelly, CPA



Jeff Nates, CPA, CISA
Stacy F. Smith, CPA
Christie B. Gilbert, CPA

October 7, 2010

Mr. Richard H. Gilbert, Jr., CPA
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Mr. Gilbert:

We appreciate the opportunity to present the following proposal for the agreed-upon procedures for the South Carolina Department of Motor Vehicles ("the Agency").

Our Firm will conduct an examination of the internal controls over specified accounting processes of the South Carolina Department of Motor Vehicles. We will gain an understanding of the Agency's internal controls, test the effectiveness of the controls, where applicable, and make recommendations for improvement. In addition to gaining an understanding and testing the effectiveness of internal controls we will evaluate the current roles assigned to Agency staff for initiating and approving accounting transactions on SCEIS.

The agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. These agreed-upon procedures do not constitute an audit conducted in accordance with generally accepted auditing standards and does not lead to the expression of an auditor's opinion on financial statements prepared in accordance with generally accepted accounting principles. The procedures require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with requirements of State laws and regulations has occurred and whether internal accounting controls over certain transactions are adequate. Deficiencies identified during the agreed-upon procedures will be reported to the South Carolina Department of Motor Vehicles.

We commit to performing all work within the time period stated in the request for proposal.

The engagement will be performed on behalf of the South Carolina Department of Motor Vehicles and the South Carolina Department of Motor Vehicles is our client. The South Carolina Department of Motor Vehicles will be responsible for payment of the audit fee.

Our all-inclusive fee, for which the engagement work will be done, including all out-of-pocket costs, is \$36,500. Rates by position are as follows: Shareholder \$135, Manager \$100 and Staff \$60.

Mark Hobbs and Christina Kelly are the authorized firm members to make representations on behalf of our Firm. Mark Hobbs is the Managing Shareholder of the Firm and Christina Kelly is a Shareholder and Director of Audit Services for our Firm. Both individuals can be reached at The Hobbs Group, P.A., 1704 Laurel Street, Columbia, South Carolina 29201, telephone (803) 799-0555, fax (803) 799-4212, and email at mark@hobbscpa.com or christina@hobbscpa.com.

The signor of this submitted proposal, Christina R. Kelly, has full authority to bind the accounting firm of THE HOBBS GROUP, P.A., Certified Public Accountants and Consultants, to the terms of this proposal dated October 6, 2010.

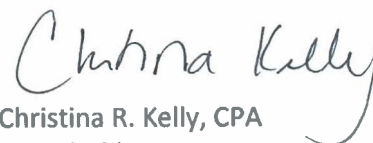
Christina R. Kelly, Shareholder, will be assigned to the engagement and be responsible for the quality of the report and working papers. Mrs. Kelly can be reached PO Box 2411, Columbia, South Carolina, 29202, (803) 799-0555 extension 28, fax (803) 799-4212 or email Christina@hobbscpa.com.

The shareholders, manager, and auditor-in-charge assigned to this engagement will be furnished copies of the request for proposal and their attention will be directed to the following captions in Section 1:

Nature of Services Required
Description of Processes to be Reviewed
Report Requirements
Time Considerations and Requirements
Contractual Arrangements
Number of Report Copies

We are grateful for the opportunity to submit this proposal. If any further information is required or further representations need to be made on our part, please contact Christina R. Kelly, Shareholder, P.O. Box 2411, Columbia, South Carolina, 29201, (803) 779-0555.

Very Truly Yours,

A handwritten signature in dark ink that reads "Christina Kelly". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Christina R. Kelly, CPA
Shareholder

We respectfully submit the following supplementary information regarding our Firm, our approach to the agreed-upon procedures and other information we feel may be helpful in your selection of an accounting firm to serve the South Carolina Department of Motor Vehicles.

PROFILE OF THE PROPOSER

The Hobbs Group, P.A., Certified Public Accountants and Consultants, P.O. Box 2411, Columbia, South Carolina 29202, is located at 1704 Laurel Street, Columbia, South Carolina 29201. We are a local firm which provides accounting, auditing, management and tax services to a variety of clients located throughout the Southeastern United States. Presently, our firm is comprised of three shareholders, one director, two managers, three seniors, four staff accountants, three paraprofessionals, and two administrative personnel.

Our Firm was established on November 1, 1986 and has audited colleges, technical colleges, local governments, councils on government, councils on aging, religious organizations as well as many voluntary health and welfare benefit organizations.

Our Firm is a member in the Private Companies Practice Section of the AICPA. We have undergone a peer review for the year ended March 31, 2008 on which we received an unqualified opinion. Our Firm has never been the object of any disciplinary actions. A copy of our March 31, 2008 external peer review is attached as Exhibit A to this proposal.

MANDATORY CRITERIA

The Shareholders in our Firm are properly licensed certified public accountants in the State of South Carolina. The Shareholder that would be assigned to this engagement is an experienced certified public accountant and was licensed in July 1999. Our Firm meets the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States. The Hobbs Group, P.A. does not discriminate in employment of persons upon the basis of race, color, creed, national origin, sex, age or physical handicap. We certify that in accordance with Section 44-107-10 through 44-107-90 of the 1978 South Carolina Code of Laws, as amended, we will provide a drug-free workplace during the term of this contract.

SUMMARY OF THE PROPOSER'S QUALIFICATIONS

Primary and foremost, it is our philosophy to have a high degree of shareholder involvement in our engagements. We believe this approach provides for more efficient resolution of key engagement issues encountered during the engagement performance and thus improves the performance of our work. Concurrently, we are able to provide timely feedback to our clients as to the resolution of such issues. The Shareholder assigned to the engagement will be Christina R. Kelly, CPA. All assigned to this engagement have several years of governmental and nonprofit auditing experience including audit and agreed-upon procedure engagements for the State of South Carolina. Additionally, the individuals assigned to this audit have attended numerous seminars pertaining to governmental accounting, internal control structure development and reporting issues. Allison Pena will be the Manager in charge of this engagement and the resumes for each person to be assigned to this engagement are included as Exhibit B to this proposal.

The governmental CPE courses attended in the past 24 months by the shareholders, manager and auditor-in-charge expected to be assigned to this engagement are included as Exhibit C to this proposal.

Our Firm has recently completed several state audit jobs as well agreed-upon procedure engagements. We have included three of the most recent for references in Exhibit D to this proposal.

Our Firm is aware of the current GAO Yellow Book requirements concerning continuing education and peer review and we will maintain compliance with them during the term of this contract.

PROPOSER'S APPROACH TO THE ENGAGEMENT

THE HOBBS GROUP, P.A., utilizes a risk analysis approach whereby the potential effects of the client's control environment, accounting systems and control activities are evaluated. Additionally, the possibility of errors or irregularities in the accounting system and errors in specific types of transactions and accounts are evaluated. From these evaluations, we develop what we believe is the most effective and efficient combination of tests responsive to the identified risks.

Our engagement approach can be categorized into three primary phases:

Planning and Gaining an Understanding of the Agency's Internal Controls

The objective of this phase is to gain a thorough understanding of the control environment for the specified accounting processes identified by the Agency, including the current roles assigned to Agency staff for initiating and approving accounting transaction on SCEIS. Obtaining an accurate and detailed understanding of the internal controls currently in place will allow our Firm to evaluate and design an efficient plan to test the effectiveness of the current controls. This is a continuous process that may change throughout the engagement based on the results of inquiry, analysis, and control testing. In order to have a complete understanding of your control environment we will perform interviews of staff, perform walkthroughs of selected processes, review and document accounting policies and procedures, and make inquiry concerning other areas of operations that will enable our firm to fully understand the client.

Once we obtain a full understanding of the Agency's control environment for the specified accounting processes, we will use that information to design the nature, timing and extent of our testing of controls. The most appropriate procedures and approach will be selected to test the specified accounting processes. We would then determine the timetable for the testing of these processes along with Agency staff.

We expect this phase of the engagement to require 45 hours of shareholder time and 115 hours of manager and staff time.

Fieldwork – Tests of Control Activities and Evaluation of Roles for Transactions on SCEIS

During this phase of the engagement we will test the identified control procedures documented during the planning phase for each accounting process area to determine adequacy of design and whether such procedures are actually in operation. The purpose of this phase is to determine the effectiveness of the controls currently in place for each of the accounting processes specified by the Agency.

During this phase we will also evaluate the current roles assigned to Agency staff for initiating and approving accounting transactions on SCEIS.

We do not plan to use specialists during the performance of this engagement.

We expect this phase of the engagement to require 10 hours of shareholder time and 110 hours of manager and staff time.

Reporting and Recommendations

During the reporting and recommendations phase of the engagement the final report to the Agency's Director and the Governor of South Carolina will be prepared. This report will state that our engagement was performed in accordance with applicable attestation standards generally accepted in the United States of America. We will include in this report the results of our tests of internal controls and our recommendations to assist you in improving internal controls over each specific area.

We expect this phase of the engagement to require 25 hours of shareholder time and 45 hours of manager and staff time.

COMPENSATION

As set forth in our transmittal letter, our total estimated time budget is 350 hours. This time estimate is based upon 80 hours of shareholder time and 270 hours of staff time at a "blended" rate of approximately \$90 per hour. Our all-inclusive maximum fee of \$36,500 includes out-of-pocket costs.

The methodology used to determine our fee, including the hourly rate by classification, is as follows:

<u>STAFF CLASSIFICATION</u>	<u>HOURS</u>	<u>RATE</u>	<u>RATE</u>
Shareholders: Mark T. Hobbs, CPA Christina R. Kelly, CPA	80	\$135	\$10,800
Supervising Staff: Allison B. Pena	120	100	12,000
Staff: Laura M. Spells, CPA Jill Vang	150	60	9,000
Estimated out-of-pocket costs			<u>4,700</u>
* Total Annual All Inclusive Maximum Fee			<u>\$ 36,500</u>

This total results in a blended rate of approximately \$90.00 per hour.

ADDITIONAL DATA

It is our Firm's philosophy to provide timely delivery of our services to our clients. If selected by the South Carolina Department of Motor Vehicles we will address the accounting needs in a timely manner.

We appreciate the opportunity to propose on this engagement and we look forward to hearing from you.

MPK GROUP, PC

CERTIFIED PUBLIC ACCOUNTANTS

SUITE 224 • 700 CENTURY PARK SOUTH • BIRMINGHAM, ALABAMA 35226

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

CPA-USA NETWORK

TELEPHONE
(205) 978-8220

FACSIMILE
(205) 978-8224

August 6, 2008

To the Owners
The Hobbs Group, P.A.

We have reviewed the system of quality control for the accounting and auditing practice of The Hobbs Group, P.A. (the firm) in effect for the year ended March 31, 2008. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with 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 with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, audits of Employee Benefit Plans and engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may

occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of The Hobbs Group, P.A. in effect for the year ended March 31, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

MPK, Group, PC

Mark T. Hobbs, CPA

Managing Shareholder

Education

Bachelor of Science in Accounting, Honors Graduate, Clemson University, 1979

Professional Certifications

Certified Public Accountant (CPA) in South Carolina and North Carolina

Certified in Financial Forensics (CFF)



Professional Experience

During his thirty plus years in public accounting Mark has acquired extensive experience with privately owned, closely held businesses, financial institutions, governmental entities, real estate management, nonprofit organizations, and litigation support consultation.

Professional Affiliations and Activities

Past President of the South Carolina Association of Certified Public Accountants (SCACPA)

Member of the AICPA Peer Review Board from 1999 until 2002; served as Education and Communication Chair in 2002

Previous President of the Columbia Chapter of the Institute of Management Accountants

Previously served as Chairman of the Continuing Education Committee, Technical Standards and Peer Review Committees of SCACPA

Appointed to the South Carolina Board of Accountancy by Governor Sanford in 2005 to Present; currently serving as Vice-Chairman, Chair of Peer review Committee and Communications Officer

Vice Chair of Communications Committee of the National Association of State Boards of Accountancy

South Carolina Association of Non-Profit Organizations – service as member of the Blue Ribbon Task Force for Preserving the Public Trust 2005-2007

Member of the National Association of Certified Valuation Analysts

Member of the American Institute of Certified Public Accountants

Civic and Community Activities

Past member of the Parish Council of his church, Co-Chaired Capital Campaign for new sanctuary and served on Building Committee, Coached in Dixie Youth Baseball and Church League Basketball, Past Secretary of Boy Scout Troop 10 sponsored by Eastminster Presbyterian Church, served as President of Crayton Middle School PTO and President of the A.C. Flora Foundation, past Chairman of School Improvement Councils at Satchel Ford Elementary School and Crayton Middle School, Member of the Audit Committee of the United Way of the Midlands

Christina R. Kelly, CPA

Shareholder

Education

Bachelor of Science in Accounting, Honors Graduate, University of South Carolina at Aiken, 1996

Professional Certifications

Certified Public Accountant (CPA) in South Carolina and North Carolina

Professional Experience

During her eleven plus years in public accounting Christina has acquired extensive experience with privately held corporations, governmental entities, and nonprofit organizations.

Professional Affiliations and Activities

Member of the South Carolina Association of Certified Public Accountants (SCACPA)

Serves as a member of the Continuing Education Committee of SCACPA

Serves as a member of the Peer Review Committee of SCACPA

Member of the American Institute of Certified Public Accountants

Civic and Community Activities

Past Board Member of Crime Stoppers of the Midlands



Allison B. Pena

Manager

Education

Bachelor of Science in Accounting, University of South Carolina

Bachelor of Science in Finance, University of South Carolina



Professional Experience

During her ten plus years in public accounting Allison has acquired extensive experience with privately held corporations, governmental entities, and nonprofit organizations with an emphasis on 401k audits. She serves as a supervisor over the Firm's small business area which serves various business types.

Professional Affiliations and Activities

Member of the South Carolina Association of Certified Public Accountants (SCACPA)

Member of the American Institute of Certified Public Accountants



Laura M. Spells, CPA

Senior

Education

Bachelor of Science in Business Administration , Georgia Southern University

Masters Degree in Accounting, Georgia Southern University

Professional Certifications

Certified Public Accountant (CPA) in South Carolina

Professional Experience

During her five plus years in public accounting Laura has acquired extensive experience with educational entities, governmental entities and nonprofit organizations. She also has one year of private sector accounting experience.

Professional Affiliations and Activities

Member of the South Carolina Association of Certified Public Accountants (SCACPA)

Member of the American Institute of Certified Public Accountants



Jill Vang

Senior

Education

Bachelor of Science Degree in Accounting , Walsh College

Masters Degree in Finance, Walsh College

Professional Experience

Jill has more than eight years of public accounting experience and performs audit and attestation services for various business clients, including nonprofit organizations and governmental entities. In addition, she assisted in tax services to individuals, partnerships, corporations and nonprofit organizations.

Professional Affiliations and Activities

Member of the South Carolina Association of Certified Public Accountants (SCACPA)

EXHIBIT C

SELECTED CONTINUING PROFESSIONAL EDUCATION COURSES OF STAFF ASSIGNED

Date	Course	Hours
Mark T. Hobbs, CPA		
06/30/09	Analytical Procedures	8.0
07/01/09	Audit Sampling	8.0
10/15/09	Evaluating and Testing Internal Controls	8.0
08/17/09	Quality Control	2.0
10/15/09	Evaluating and Testing Internal Controls	8.0
11/16/09	Solving Complex Single Audit Issues	8.0
04/29/10	Nonprofit Conference	8.0
07/30/10	Internal Controls	3.0
8/27/2010	Ethics and Non-Profit/ Governmental Update	4.0
09/24/10	SSARS 19 & Fraud	3.5
		<hr/> 60.5
Christina R. Kelly, CPA		
06/30/09	Analytical Procedures	8.0
07/01/09	Audit Sampling	8.0
10/15/09	Evaluating and Testing Internal Controls	8.0
11/16/09	Solving Complex Single Audit Issues	8.0
12/10/09	Auditing Non Profits: Tips and Traps	8.0
04/29/10	Nonprofit Conference	8.0
07/30/10	Internal Controls	3.0
8/27/2010	Ethics and Non-Profit/ Governmental Update	4.0
09/24/10	SSARS 19 & Fraud	3.5
		<hr/> 58.5
Allison B. Pena		
10/15/09	Evaluating and Testing Internal Controls	5.5
12/10/09	Auditing Non Profits: Tips and Traps	8.0
02/07/10	Analytical Procedures for Nonprofit Organizations	8.0
04/29/10	Nonprofit Conference	7.0
07/30/10	Internal Controls	3.0
09/24/10	SSARS 19 & Fraud	3.5
		<hr/> 35.0
Laura M. Spells, CPA		
10/15/09	Evaluating and Testing Internal Controls	8.0
11/16/09	Solving Complex Single Audit Issues	8.0
12/10/09	Auditing Non Profits: Tips and Traps	8.0
12/22/09	Not-for-profit Accounting & Reporting: From Start to Finish	8.0
07/23/10	Governmental Accounting and Auditing Update	8.0
8/27/2010	Ethics and Non-Profit/ Governmental Update	4.0
09/24/10	SSARS 19 & Fraud	3.5
		<hr/> 47.5

EXHIBIT D

CLIENT REFERENCES

Tobacco Settlement Revenue Management Authority
1200 Senate Street, Wade Hampton Office Building
Columbia, South Carolina 29201

Mr. Rick Harmon
Senior Assistance State Treasurer
(803)734-2114

South Carolina Local Government Investment Pool
1200 Senate Street, Wade Hampton Office Building
Columbia, South Carolina 29201

Ms. Shakun Tahiliani
Senior Assistance State Treasurer
(803) 734-2641

Patriots Point Development Authority
40 Patriots Point Road
Mount Pleasant, South Carolina 29464

Mr. Royce Breland
Chief Financial Officer
(843) 881-5967