

*Proposal to provide professional services to:*

**SOUTH CAROLINA OFFICE OF THE STATE AUDITOR**

for the agreed-upon procedures engagement of

**SOUTH CAROLINA DEPARTMENT OF MOTOR VEHICLES**

**OCTOBER 7, 2010**

*Submitted By:*



*Scott and Company LLP  
1441 Main Street, Suite 800  
Post Office Box 8388  
Columbia, South Carolina 29202  
(803) 256-6021*

*Contact Person:* Don Mobley, Partner  
[dmobley@scottandco.com](mailto:dmobley@scottandco.com)

Michael Slapnik, Partner  
[mslapnik@scottandco.com](mailto:mslapnik@scottandco.com)

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SCOTT COMPANY

*— not your average accounting firm*

COLUMBIA • GREENVILLE

October 7, 2010

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
South Carolina Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

Dear Rich:

We are very pleased to provide our proposal to perform an agreed-upon procedures (“AUP”) engagement relating to the internal controls over specified accounting processes of the South Carolina Department of Motor Vehicles (“DMV”). Thank you and the people at DMV very much for taking the time last Friday to explain to us the exact nature of the engagement that the DMV requires. We understand that there has been some fraudulent activity at the DMV and that the DMV would like to have certain procedures performed relating to its internal controls that currently exist over certain processes. Our Firm has experience in working with fraud and internal control engagements, and we feel this expertise will prove to be very valuable to DMV.

We will begin our engagement by obtaining an understanding of the financial transactions occurring at DMV. This understanding will be obtained based on the five components of internal control: Control Environment, Risk Assessment, Information and Communication, Monitoring, and Activity-Level Controls. We will perform procedures in the following areas: capital improvements and facilities management, general accounting, revenue accounting, accounts payable, grants accounting, procurement, and warehouse management.

We understand that the DMV has internal control process documentation that will help us gain this understanding. From this understanding we will determine and document which assertions and key controls will need to be tested. We will then perform the tests and report our findings to management. We understand that the DMV would like some recommendations from us on how to improve their internal controls. We will provide these at the conclusion of our engagement. Further detailed information of our understanding of this engagement can be found in the Engagement Scope and Engagement Approach sections of this proposal.

We are accustomed to meeting tight client deadlines and are committed to meeting the deadlines as outlined in the requests for proposal. We will begin the engagement no later than two weeks from the date of the award of the engagement and complete the engagement by December 31, 2010.

Our engagement team will consist of Don Mobley (client service partner), Michael Slapnik (engagement partner), Jonathan Phillips (senior), and staff.

This agreed-upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Scott and Company LLP  
CERTIFIED PUBLIC ACCOUNTANTS

scottandco.com

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TEL (803) 256-6021 | FAX (803) 256-8346

702 Pettigru Street  
Greenville, South Carolina 29601

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Our proposed all-inclusive fee (including out-of-pocket expenses) for this engagement is \$32,250, as detailed in the compensation section of this proposal. The quoted rates are \$150 per hour for partners, \$107 for senior, and \$46 for staff.

We understand that this engagement is being performed on behalf of the DMV and the DMV is our client. The DMV will be responsible for the fee. We also understand that we or the State Auditor's Office can cancel this agreement without cause by written notice delivered no less than 60 calendar days prior to any fiscal year-end.

Michael Slapnik and I are authorized to make representations for Scott and Company LLP and we are authorized to bind the Firm. I will be the client service partner assigned to this engagement. Michael will be the engagement partner responsible for the quality of the report and working papers, and I will be significantly involved in the engagement.

The partner, manager, and the staff assigned to this engagement will be furnished copies of the request for proposal and their attention will be specifically directed to the following captions in Section I:

- Nature of Services Required
- Description of Processes to be Reviewed
- Proposers Conference
- Report Requirements
- Time Considerations and Requirements
- Contractual Arrangements
- Number of Report Copies
- Right to Reject

We are very enthusiastic about performing this engagement for DMV. Please call me or Michael to answer any questions about our proposal. You can reach us at (803) 256-6021.

Very truly yours,



Donald J. Mobley, CPA  
Partner

## **PROFILE OF OUR FIRM**

Randy Scott started Scott McElveen, L.L.P. in 1994 (name changed July 1, 2010 to Scott and Company LLP). Having previously been with two of the now "Big 4" accounting firms, Randy's idea was to start a firm that offers the quality of service of the "Big 4" firms at much lower rates. Accordingly, Randy has put together a firm with a management group that has almost 30 years of auditing experience with the "Big 4" firms. DMV will receive the extraordinary benefits of being served by this group of professionals.

Scott and Company LLP is a progressive local firm of certified public accountants with offices located in Columbia and Greenville, South Carolina. This work will be performed by our Columbia office. We are a full service professional accounting firm offering audit, tax, and management consulting services. The Columbia office has eighteen professionals, two administrative employees, and two interns. The office has three audit partners, three tax partners, one audit manager, and eleven staff members.

Our firm is a member of both the Private Companies Practice Section and the Center for Audit Quality of the American Institute of Certified Public Accountants. We would also like to point out to you something of which we are very proud. In the summer of 2008, our firm had its external peer review, which is required every three years. This review was performed by the regional firm Dixon Hughes. We received a clean report on this review, with no comments for improvement. In addition, the Public Company Accounting Oversight Board ("PCAOB") also recently performed its second review of all of our public clients that are required to file with the Securities and Exchange Commission. The PCAOB was established by the Sarbanes-Oxley Act which was passed by the U.S. Congress in the wake of the Enron and similar scandals. The PCAOB is an independent agency of the Federal government. We are very pleased to tell you that for the second time in a row, we received a clean report from the PCAOB, with no comments for improvement. We can count ourselves among the select firms who can say that we received clean reports from both of these reviews.

Our Firm has joined the BDO Seidman ("BDO") Alliance Network. BDO Seidman is an international firm of certified public accountants with revenues of over \$500 million and 36 offices in the United States. As an independent member of the Alliance, our Firm has the full resources of BDO. If necessary, we can call upon BDO's vast resources in fulfilling our engagement responsibilities.

## MANDATORY CRITERIA

1. Scott and Company LLP is a properly licensed certified public accounting Firm.
2. Scott and Company LLP is currently licensed in South Carolina.
3. Scott and Company LLP meets the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States.
4. Scott and Company LLP does not discriminate in employment of persons upon the basis of race, color, creed, national origin, sex, age or physical handicap.
5. In accordance with Section 44-107-10 through 44-107-90 of the 1976 South Carolina Code of Laws, as amended, Scott and Company will provide a drug-free workplace during the term of this contract.

## OUR QUALIFICATIONS

Scott and Company LLP and its professionals have extensive experience working on internal control related engagements. A representative list of our clients, past and present, or clients that have been served by our engagement team in this area, is as follows:

- Beaufort County
- Columbia Eye Clinic
- Datastream, Inc.
- UCI Medical Affiliates, Inc.
- 3D Systems, Inc.
- Affinity Technologies, Inc.
- City of Columbia
- Capital Corporation
- SC Department of Health and Environmental Control

Our Firm also has extensive experience working on government clients, some of which were agreed-upon procedures engagements as indicated below, including:

- South Carolina Budget and Control Board (AUP)
- South Carolina Department of Juvenile Justice (AUP)
- John De La Howe School (AUP)
- South Carolina Department of Parks and Tourism (AUP)
- South Carolina SLED (AUP)
- South Carolina Department of Labor, Licensing and Regulation (AUP)
- South Carolina Department of Mental Health (AUP)
- South Carolina Department of Natural Resources (AUP)
- South Carolina State Accident Fund
- South Carolina Department of Transportation
- South Carolina Transportation Infrastructure Bank
- Charleston County, South Carolina
- City of Mauldin, South Carolina
- Midlands Technical College
- The State of South Carolina
- Horry County, South Carolina
- Horry County Department of Airports
- Columbia Airport
- Riverbanks Zoo
- City of Columbia
- The Charlotte/Mecklenburg Board of Education
- The Governor's Office of the State of South Carolina
- Town of Winnsboro, South Carolina

- Chester Metropolitan District
- Chester Sewer District
- Lancaster County Water & Sewer District
- City of Greenville, South Carolina
- Greenville County, South Carolina
- Office of the Comptroller General of South Carolina
- Patriot's Point Development Authority
- South Carolina State Ports Authority

To illustrate our Firm's capacity to get the job done, we are in the process of completing the tenth year of the audits of the county partnerships of the South Carolina Office of First Steps to School Readiness. During this project, we have completed the audits of all 46 South Carolina county First Steps partnerships over a period of a few months. These audits had never been done before we did them.

We also timely completed the audits of the South Carolina State Accident Fund, South Carolina Department of Transportation, South Carolina Transportation Infrastructure Bank and the South Carolina Employment Security Commission (now South Carolina Department of Employment and Workforce) for the last several years. We have also performed many state agency agreed-upon procedures engagements in the past several years. Some of the same professionals who worked hard on the First Steps and other state audits and AUP's are proposed to work on the DMV engagement.

We are aware of the current GAO Yellow Book requirements concerning continuing education and peer review and we will be in compliance with them during the term of this contract.

**Don Mobley**, the client service partner, has over twenty five years of public accounting experience, primarily in the audit departments of KPMG, Deloitte & Touche, and Scott and Company LLP. Don will be responsible for ensuring that the Fund receives a high level of client service from our Firm. Don's governmental experience includes multiple state agency agreed-upon procedures engagements, the Horry County Department of Airports, Horry County, Charleston County, City of Columbia, the State of South Carolina, the South Carolina Department of Transportation, the South Carolina Transportation Infrastructure Bank, and the South Carolina Employment Security Commission (now South Carolina Department of Employment and Workforce), among others. Don is licensed to practice as a certified public accountant in South Carolina, North Carolina, New York, and Florida and is a member of the American Institute of Certified Public Accountants and the South Carolina Association of Certified Public Accountants. Don has taken the following CPE courses over the last 24 months:



<u>Date</u>	<u>Course Title</u>	<u>Hours</u>
10/13/08	The Accounting and Auditing Update 09	6.0
10/31/08	Governmental and Not-for-Profit Bonus Workshop	8.0
12/12/08	AICPA Advanced Course: Overview of the AICPA Peer review Program Standards	7.0
11/13/08	BDO Internal Audit Methodology	7.0
2/24/09	Finding Business Development Opportunities through Client Interactions	1.5
4/28/09	Governmental Audit Quality Center – 2009 Annual Webcast Update	2.0
5/8/09	Understanding GAS	2.0
5/8/09	Testing IC Control and Compliance	4.0
5/8/09	Selecting Major Programs	2.0
5/13/09	2009 Professional Ethics and Conduct	2.0
6/24/09	International Accounting – What’s Different?	8.0
6/25/09	Latest on the Recovery Act & Potential Impact on 2009 Single Audits	2.0
7/21/09	Government Accounting and Audit Update	4.0
7/22/09	Government Accounting and Audit Update	6.0
8/6/09	Independence CPE-Government and AICPA Tax Update, Investment Valuation SFAS 157, Single Audit Training & Government Update	7.2
10/28/09	Corporate Law for Accountants	3.0
4/26-4/28/10	2010 BDO Alliance Conference	14.5
		<u>86.2</u>

**Michael Slapnik**, a partner in our assurance and advisory services department, will serve as the partner on the engagement. As such he will oversee the day-to-day activities of the audit. Michael has a total of almost 12 years auditing experience. Michael has worked with internal control related engagements such as Beaufort County, Columbia Eye Clinic, Datastream, Inc., UCI Medical Affiliates, Inc. as well as others. His other governmental experience includes multiple state agency agreed-upon procedures engagements, the South Carolina Department of Transportation and the Transportation Infrastructure Bank, Horry County Department of Airports, the South Carolina Employment Security Commission Unemployment Fund, the City of Columbia, the City of Mauldin, the Riverbanks Zoo, and the Chester Metropolitan Water and Sewer Districts. He has attended the following continuing professional education courses over the last 24 months:

<u>Date</u>	<u>Course Title</u>	<u>Hours</u>
10/08/08	Sampling in a Single Audit Environment	2.0
10/23/08	Governmental and Nonprofit Update	8.0
11/17/08	Auditing in the Small Business Environment	8.0
12/02/08	December 2008 Year-End Technical Update- Part 2	1.0
12/02/08	December 2008 Year-End Technical Update- Part 1	2.5
02/24/09	Finding Business Development Opportunities through Client Interactions	1.5
04/16/09	BDO Seidman – Basic Employee Benefit Plan Audit Train-the-Trainer	2.0
04/27/09	BDO Seidman – Overview of Changes to BDO Employee Benefit Plan Audit Methodology and Common Audit Issues	2.0
04/27/09	BDO Seidman - Advanced Employee Benefit Plan Audit Issues & Indust. Dev.	2.0
04/28/09	AICPA – Gov’t Audit Quality Center – 2009 Annual Webcast Update	2.0

04/30/09	BDO Seidman Employee Benefit Plan Audit Planning and Sampling Methodology	2.5
05/08/09	SCACPA – Testing Internal Control over Compliance	4.0
05/08/09	SCACPA – Selecting Major Programs for OMB Circular A-133 Audits	2.0
05/08/09	SCACPA – Understanding the Requirements of Government Auditing Standards	2.0
07/13/09	SCACPA – Governmental Accounting & Auditing Update	8.0
08/06/09	Independence CPE-Government and AICPA Tax Update, Investment Valuation SFAS 157, Single Audit Training & Government Update	7.2
09/21/09	BDO Seidman – 2009 National SEC Conference	21.5
02/15/10	AICPA – Real Estate Accounting & Auditing	15.0
04/16/10	EBP 2010 Basics of Planning & Risk Assessment	1.5
06/01/10	PDM 2010 Busy Season Topical Discussion- Impairments	2.0
05/25/10	Mastering the WIP	4.0
05/27/10	Government Conference	8.0
		<hr/> 108.7 <hr/>

**Jonathan Phillips**, a senior with our firm, has three years of accounting and auditing experience. A CPA, Jonathan has worked on similar engagements where an entity needed a review of its internal controls and recommendations made in order to strengthen those controls. His governmental auditing experience includes Beaufort County, the South Carolina Employment Security Commission and the related Unemployment Compensation Fund, and the South Carolina Office of First Steps and several state AUP engagements, among others. He has attended the following continuing professional education courses in the last 24 months:

<u>Date</u>	<u>Course Title</u>	<u>Hours</u>
11/17-11/19/08	AuditWatch University Level 3: Beginning In-Charge Training	24.00
12/29/08	Professional Ethics: The AICPA's Comprehensive Course	8.00
4/23/09	Basic Employee Benefit Plan Audit Methodology Part 1	3.00
4/24/09	Basic Employee Benefit Plan Audit Methodology Part 2	3.00
5/7/09	Testing Internal Control over Compliance	4.00
5/8/09	Understanding the Requirements of Gov't Audits	2.00
5/8/09	Selecting Major Programs for OMB A-133 Audits	2.00
8/6/09	Independence CPE-Government and AICPA Tax Update, Investment Valuation SFAS 157, Single Audit Training & Government Update	7.20
12/28/09	Applying A-133 to Nonprofit & Government Organization	8.00
5/27/10	Government Conference	8.00
		<hr/> 69.20 <hr/>

## **REFERENCES**

Past similar engagements and associated references are as follows:

South Carolina Office of the State Auditor  
Rich Gilbert, Deputy State Auditor  
Columbia, South Carolina  
(803) 734-0674  
South Carolina State Accident Fund  
South Carolina Department of Transportation  
South Carolina Transportation Infrastructure Bank  
South Carolina Employment Security Commission  
Audits of Statewide Financial Statements  
Patriots' Point Development Authority  
Various Agreed-Upon Procedure Engagements  
Don Mobley, Michael Slapnik, Jonathan Phillips

City of Mauldin  
Raymond C. Eubanks III ("Trey"), City Administrator  
Mauldin, South Carolina  
(864) 289-8890  
Audit of Basic Financial Statements  
Don Mobley, Michael Slapnik

City of Columbia  
Bill Ellis, Interim Finance Director  
Columbia, South Carolina  
(803) 545-3406  
General Consulting  
Don Mobley, Michael Slapnik

Chester Metropolitan District  
Mike Medlin, Executive Director  
Chester, South Carolina  
(803) 385-5123  
Audits of Financial Statements  
Don Mobley, Michael Slapnik, Jonathan Phillips

## **ENGAGEMENT SCOPE**

We understand that there has been some fraudulent activity at the DMV at that the DMV would like a review of its internal controls over certain of its processes. Our Firm has had experience in working with fraud and internal control engagements in the past, and we feel this expertise will provide us with some specific and valuable knowledge going into this engagement.

We will begin our engagement by obtaining an understanding of the financial transactions occurring at DMV. This understanding will be obtained based on the five components of internal control: Control Environment, Risk Assessment, Information and Communication, Monitoring, and Activity-Level Controls. We understand that the DMV has internal control process documentation that will help us gain this understanding. From this understanding we will determine which assertions and key controls will need to be tested. We will then perform the tests, which will principally consist of walk-throughs, and report our findings to management. We understand that the DMV would like some recommendations from us on how to improve their internal controls. We will provide these at the conclusion of our engagement.

## **ENGAGEMENT APPROACH**

We understand the importance of this engagement. Accordingly, we have designed an approach that will meet professional standards and result in draft and final reports being issued in accordance with the reporting deadlines and assist DMV in evaluating its internal controls.

This agreed-upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

### **Planning**

We will begin our planning of the engagement within two weeks of the date in which we are awarded the contract so the engagement can be completed and reports issued no later than December 31, 2010. Areas that would be done during planning would include inquiries of management, systems documentation, consideration of the fraud that occurred, and workpaper setup, among other things. We will then determine the key assertions and controls that need to be tested and set up our walkthroughs. We estimate that the planning phase of this engagement will take 16 hours.

This part of the engagement will be performed by the partners and senior.

### **Testing of Key Controls (Walkthroughs)**

We will begin our walkthroughs as soon as planning is complete and the DMV personnel are ready for us to begin. We understand that the accounting personnel are going to be available to us and have as much time as will be needed to interact with our auditors.

The walkthroughs will focus primarily on the processes described in the request for proposal: capital improvements and facilities management, general accounting, revenue accounting, accounts payable, grants accounting, procurement, and warehouse management. For each of these processes we will address the scopes as detailed in the request for proposal and design our tests accordingly. The DMV has recently converted its accounting system to SCEIS and we will evaluate the staff's current roles for initiating and approving accounting transactions. We anticipate identifying key controls and assertions in each of the above areas and performing walkthroughs for 3 transactions per process to get limited assurance that the controls are functioning effectively. Therefore, a total of 21 processes will need to be documented and tested and we estimate that each of these will take us 12-16 hours on average to complete including documentation. These 21 processes were discussed in the RFP, i.e. "Review the construction and award processes".

We also understand that the DMV has 68 field offices and that certain of our walkthroughs will need to be performed at certain of the offices. Further, it is our understanding that the information technology controls that are in place to support the internal control over financial reporting is mostly at the State of South Carolina level. Therefore, IT consideration will not be a significant aspect of our engagement. It was also explained to us that the DMV's internal audit function is mostly concerned with the handling of money at the field offices as opposed to the controls in the accounting department. Therefore, we do not anticipate using the internal audit function to a large degree to complete our engagement. The testing phase of this engagement is estimated to take 294 hours.

This part of the engagement will be performed by the partners, senior and staff.

## **Reporting**

The reporting phase of the engagement will begin as soon as the walkthroughs are completed and documented. Some of the procedures that will be performed during the reporting phase of the audit are: preparation and review of findings, discussing and resolving issues, preparation and review of the agreed-upon procedures report, and ensuring compliance with professional standards.

During the reporting phase of the audit we will also hold an exit conference with the DMV's management to discuss the results of our engagement, and any other issues or pending matters relating to the completion of the engagement. We estimate that the reporting phase of our engagement will take 40 hours.

The reporting phase of the engagement will be performed by the partners and senior.

Our staffing will consist of one client service partner, one engagement partner, one senior auditor, and audit staff as necessary. Jonathan Phillips, the senior auditor, will be responsible for the day to day activities of the audit and for supervising the audit staff. The engagement partner, Michael Slapnik, will be responsible for the quality of the workpapers and audit reports. Don Mobley, the client service partner, will be responsible for ensuring the client service provided by our Firm meets our quality control standards and DMV's expectations.

## COMPENSATION

Today, containing costs is a general concern throughout every sector of the economy. We are sensitive to your concern for a balance of audit economy and full scope service. Moreover, we are well aware that in the current competitive environment, we must propose a fee that reflects this economy if we are to be considered for this engagement.

Our fee commitment detailed below for the scope of services discussed earlier in this proposal demonstrates our desire to provide quality service to the South Carolina Department of Motor Vehicles at a reasonable fee. These fees are based on the time and classification of our personnel required for the engagement, and they include all out-of-pocket expenses. The fee is fixed – assuming no scope changes. An example of a scope change would be the addition of processes that are not included in the RFP on which you would like for us to perform procedures. This fee also assumes that the staff of the DMV will be available to work with us and that internal control process documentation will be ready for us at the outset of the engagement. Any scope changes which may result in additional fees will be discussed with you and agreed upon, in advance.

Our all-inclusive fee for this engagement is as follows:

	Standard Hourly Rates	Hours	Rates	Quoted Total
Partners	\$ 260	60	\$ 150	\$ 9,000
Senior	185	140	107	14,980
Staff	80	150	46	6,900
		<u>350</u>		<u>\$ 30,880</u>
Out-of-pocket expenses				<u>620</u>
Total all-inclusive maximum price				<u>\$ 31,500</u>

We understand fees for any services provided outside of the normal scope of the audit must be agreed to in advance by Scott and Company LLP, DMV and the State Auditor's Office and that no work would be performed until set forth in an addendum to the contract between DMV and our Firm. Our rates for services outside of the normal scope of the audits will be as follows for all of the entities for which we are providing fee estimates in this proposal, depending on the time of the year.

	Standard Hourly Rates	Quoted Hourly Rates
Partners	\$ 260	\$ 150
Senior	185	107
Staff	80	46

## **ADDITIONAL INFORMATION**

### **WHY CHOOSE SCOTT AND COMPANY LLP**

- We understand the importance of this internal controls engagement to DMV.
- The professionals that will be assigned to this engagement are extremely qualified. You can see this from the experience working with internal control engagements and serving various governments and other clients.
- We have proposed very reasonable and fair fees that are discounted significantly from our standard professional rates.
- The professionals proposed to work on your engagement have significant government experience, both for local governments and state agencies.
- Michael Slapnik, the proposed engagement partner, will be actively involved with your audit. Through the years, we have noticed the frustration of clients who get inexperienced staff on their audits and rarely see the partner. Our philosophy is that the engagement partner spends a significant amount of time with the client before, during and after the audit as opposed to showing up after the work is completed. This philosophy gives you a level of experience during fieldwork that is higher than that you are accustomed to receiving.
- Michael Slapnik is the ultimate decision maker with respect to any issues that arise. We have very little red tape or layers of management that result in delays in resolving issues and questions. He will consult with the client service partner Don Mobley at various times during the engagement.
- Unlike some local firms who are primarily tax return preparers that perform audits between tax seasons, Scott and Company LLP was established to be a true accounting and auditing firm. The proposed professionals for these audits do audit and accounting work only. They do not prepare tax returns. Our experience will be a positive resource for you as you address the challenges of an increasingly budget tightened government environment.
- Our clients are pleased with us and our work. Just ask them. As a matter of fact, some of our best sales and marketing comes from our clients. We included client references earlier in the proposal.

*Appendix A*

**PROFESSIONAL RESUMES**



# DONALD J. MOBLEY, CPA

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## *Partner, Assurance and Advisory Services*



### EDUCATION

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University of South Carolina, Masters in Accountancy, 1983

University of South Carolina, Bachelor of Science in Accounting, 1982

### POSITION IN FIRM

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Partner, Assurance and Advisory Services, Scott and Company LLP. Don has managed engagements of all sizes and has supervised engagement teams with as many as 20 professionals. He has experience in areas such as government, nonprofit, manufacturing, contracting and healthcare.

Don's responsibilities also include practice development, advising clients on financial and business matters, and recruiting, counseling, managing and developing professional staff.

### LICENSES, PROFESSIONAL MEMBERSHIPS & COMMUNITY INVOLVEMENT

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Don is a certified public accountant in South Carolina, North Carolina, New York and Florida.

Don is a member of:

- American Institute of Certified Public Accountants (AICPA)
- South Carolina Association of Certified Public Accountants (SCACPA)

Don has served on the board of directors and is a past chairman of the scholarship committee of Friends of the Accounting Department (FAD), an accounting alumni association at the University of South Carolina. He is a past board member and treasurer of "A Child's Haven" and has served as a loaned executive for the United Way.

### PROFESSIONAL EXPERIENCE

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Don has served the following clients, among others:

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>▪ South Carolina Dept. of Health and Environmental Control (AUP)</li><li>▪ South Carolina Forestry Commission (AUP)</li><li>▪ South Carolina Dept. of Parks, Recreation and Tourism (AUP)</li><li>▪ South Carolina Dept. of Juvenile Justice (AUP)</li><li>▪ South Carolina Dept. of Labor, Licensing and Regulation (AUP)</li><li>▪ South Carolina Budget and Control Board (AUP)</li><li>▪ South Carolina Dept. of Disabilities and Special Needs (AUP)</li><li>▪ Chester Metropolitan and Sewer District</li></ul> | <ul style="list-style-type: none"><li>▪ Lancaster Water and Sewer District</li><li>▪ State of South Carolina</li><li>▪ South Carolina Dept. of Transportation</li><li>▪ South Carolina Employment Security Commission</li><li>▪ Charleston County, South Carolina</li><li>▪ City of Columbia</li><li>▪ Horry County, South Carolina</li><li>▪ Anderson County School District One</li><li>▪ Charlotte/Mecklenburg Board of Education</li><li>▪ Myrtle Beach International Airport</li><li>▪ South Carolina Employment Security Commission</li></ul> |
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# MICHAEL J. SLAPNIK, CPA

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## *Partner, Assurance and Advisory Services*



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### EDUCATION

University of South Carolina, Bachelor of Science in Accounting, 1998

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### POSITION IN FIRM

Audit Partner, Assurance and Advisory Services. Michael is responsible for various audit engagements. His duties include the planning of and performing substantive testing and financial reporting on audit and other assurance engagements and supervising associates and staff accountants. Michael provides services to clients in governmental, manufacturing, healthcare, and nonprofit areas.

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### LICENSES, PROFESSIONAL MEMBERSHIPS & COMMUNITY INVOLVEMENT

Michael is a certified public accountant licensed in South Carolina.

Michael is a member of:

- American Institute of Certified Public Accountants (AICPA)
- South Carolina Association of Certified Public Accountants (SCACPA)

Michael also serves on the board of directors as treasurer for the Juvenile Diabetes Research Foundation and the Friends of the Accounting Department, an alumni board at the University of South Carolina.

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### PROFESSIONAL EXPERIENCE

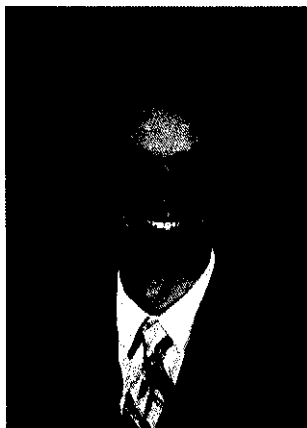
Ten years experience serving the following clients, among others:

- |   |  |
|---|--|
| ▪ Myrtle Beach Department of Airports                     | ▪ SC Department of Natural Resources (AUP)                 |
| ▪ City of Columbia  | ▪ SC Department of Labor, Licensing, and Regulations (AUP) |
| ▪ South Carolina State Accident Fund                      | ▪ The Loxcreen Company, Inc.                               |
| ▪ SC Department of Transportation                         | ▪ Charleston Southern University                           |
| ▪ Beaufort County   | ▪ Southern Development Management Company, Inc.            |
| ▪ SC Employment Commission Unemployment Compensation Fund | ▪ Columbia College   |
| ▪ SC Department of Disabilities and Special Needs (AUP)   | ▪ Columbia Museum of Art                                   |
| ▪ SC Department of Juvenile Justice (AUP)                 | ▪ South Carolina Office of First Steps                     |
| ▪ John De La Howe School (AUP)                            |  |

# JONATHAN M. PHILLIPS, CPA

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## *Senior, Assurance and Advisory Services*



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### EDUCATION

Auburn University

- Masters of Accountancy

North Carolina State University

- Bachelor of Science in Accounting

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### POSITION IN FIRM

Senior, Assurance and Advisory Services.

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### LICENSES, PROFESSIONAL MEMBERSHIPS & COMMUNITY INVOLVEMENT

Jonathan is a certified public accountant licensed in South Carolina.

Jonathan is a member of:

- American Institute of Certified Public Accountants (AICPA)
- South Carolina Association of Certified Public Accountants (SCACPA)
- Beta Alpha Psi (Alumni)

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### PROFESSIONAL EXPERIENCE

Experience serving the following clients, among others:

- South Carolina SLED (AUP)
- South Carolina Department of Mental Health (AUP)
- South Carolina Department of Labor, Licensing and Regulation (AUP)
- South Carolina Universal Service Fund
- South Carolina Employment Security Commission
- South Carolina Employment Security Commission Fund
- South Carolina Office of First Steps
- Myrtle Beach Department of Airports
- South Carolina State Accident Fund
- Riverbanks Zoo
- Chester Metropolitan District

*Appendix B*

**EXTERNAL QUALITY REVIEW REPORT**



**DIXON HUGHES** PLLC  
Certified Public Accountants and Advisors

August 22, 2008

**To the Partners of  
Scott McElveen, L.L.P.  
and the Center for Public Company Audit Firms Peer Review Committee**

We have reviewed the system of quality control for the accounting and auditing practice of Scott McElveen, L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended March 31, 2008. The firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, 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 that 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 applicable to the non-SEC issuers of Scott McElveen, L.L.P. 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 complying with applicable professional standards.

*Dixon Hughes PLLC*

Dixon Hughes PLLC

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MEMBER  
GLOBAL ALLIANCE OF  
INDEPENDENT FIRMS