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## ***Correspondence Memorandum***

**Date:** August 14, 2023

**To:** Deferred Compensation Board

**From:** Yikchau Sze  
 Office of Internal Audit Director

**Subject:** Insourcing 2023 Contract Compliance Audit

**This memo is for informational purposes only. No Board action is required.**

The Office of Internal Audit (OIA) of the Department of Employee Trust Funds (ETF) plans to conduct the 2023 compliance audit for the Wisconsin Deferred Compensation Program (WDC) administrative services contract. The results of this audit will be reported to the Deferred Compensation Board (Board) at the June 2024 Board meeting.

Contract compliance audits provide assurance on a Third-Party Administrator’s (TPA’s) adherence to contract terms and conditions, as well as compliance with statutes, rules, and regulations. These audits are critical to ETF’s oversight of programs administered externally and are completed on a periodic basis, depending on the nature of the program and perceived risks. The review of Empower Retirement’s compliance with the Administrative Agreement for the WDC is performed every other year, with the calendar year 2023 being the next year under review.

The Board delegated the signing authority for TPA contract compliance audits to the ETF Secretary in 2018 ([Ref. DC | 06.14.18 | 6](#)). As a result of the Request for Proposal (RFP) ETH0048, Wipfli, LLC (Wipfli), a public accounting firm, was retained to conduct agreed-upon procedure (AUP) compliance audits. The contract terms allow ETF to choose to insource certain audits without terminating the overall contract. Prior to the RFP ETH0048, Wipfli has been under contract with the Board to perform the WDC AUP reviews since 2010.

In 2017, OIA completed an assessment of the TPA contract compliance audits performed by external auditors at ETF and concluded that a centralized oversight of those audits would improve the efficiency and effectiveness of such audits. Therefore, OIA assisted program areas with planning for TPA audits and provided oversight in the planning and completion of each TPA contract compliance audit. For the WDC compliance audits of calendar years 2019 and 2021, OIA provided the following consulting services:

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- Assisted the development of the statement of work.
- Monitored engagement status by attending the kickoff, periodic check-in, and exit meetings.
- Assessed auditor's adherence to the statement of work.
- Reviewed draft reports and provided feedback to the Deferred Compensation Director and Wipfli, including items to be corrected and clarified.
- Reviewed final reports and provided considerations for future engagements.
- Tracked recommendations for appropriate remediation of all findings.

ETF has traditionally outsourced TPA contract compliance audits to external auditing and accounting firms, as the audits often require specialized expertise that was not available within ETF. However, with the maturity of ETF's internal audit function, and as part of OIA's role in TPA oversight, ETF determined that insourcing certain TPA audits, including the WDC AUP review, will be more beneficial to ETF's TPA oversight. This is due to the following reasons:

- Insourcing TPA audits provides more control over the quality of audit work performed through flexibility with the scope of work based on risk assessment, a more comprehensive or applicable audit approach, and target testing producing more accurate audit results.
- Potential savings even with expanded audit scope and testing efforts.
- The ability of providing recommendations or conclusions based on the work performed<sup>1</sup>.

In summary, insourcing the 2023 WDC contract compliance audit of Empower Retirement will lead to enhanced assurance to the oversight of the administration of the WDC with the potential of reducing the audit costs to the program. The qualifications of the OIA and the Charter of the OIA are included as Attachments A and B.

Staff will be at the Board meeting to answer any questions.

Attachment A: [Office of Internal Audit Staff Biographies](#)

Attachment B: [Internal Audit Charter](#)

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<sup>1</sup> AICPA Statement on Standards for Attestation 19 – Agreed-Upon Procedures Engagements indicates that a practitioner should not express an opinion or conclusion in any form, as well as any recommendations.