



STATE OF WISCONSIN
Department of Employee Trust Funds
 A. John Voelker
 SECRETARY

Wisconsin Department
 of Employee Trust Funds
 PO Box 7931
 Madison WI 53707-7931
 1-877-533-5020 (toll free)
 Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: February 12, 2024

To: Deferred Compensation Board

From: Shelly Schueller, Director
 Wisconsin Deferred Compensation Program

Joanne Klaas, Contracts Specialist
 Budget, Contract Administration and Procurement

Subject: ETI0035 Financial Statements Report Audit Contract Extension and Request Delegation to Solicit Future Proposals and Execute Contract

The Department of Employee Trust Funds (ETF) recommends the Deferred Compensation Board (Board):

- 1) **approve the final extension of the current contract with Wipfli for Wisconsin Deferred Compensation (WDC) Program financial statements report audits of calendar years 2024 and 2025; and**
- 2) **delegate authority to the ETF Secretary to solicit proposals and execute a contract with a qualified firm to perform future financial statements report audits of the WDC.**

As part of its fiduciary responsibilities, the Board requires an audit of the annual WDC financial statements report created by ETF. The purpose of this audit is to have an independent public accounting firm render an opinion, in accordance with the United States Generally Accepted Accounting Principles (US GAAP), as to whether the financial statements report accurately reflects the financial position of the WDC. Ideally, this audit demonstrates that all participant account records, including contributions, transfers and distributions are accurate, and that all assets with the WDC's investment options are balanced. Financial statements report audits may also reveal any misstatements due to errors, fraud, or other reasons that would cause the annual financial statements report to inaccurately reflect the financial position of the WDC. Financial statements report audit results are always presented to the Board.

Current Contract Extension

The current contract for financial statements report audits is held by Wipfli, LLC. Wipfli

Board	Mtg Date	Item #
DC	03.07.24	4

was awarded the contract as a result of Request for Proposal (RFP) ETI0035, which was released on February 13, 2019. This RFP invited proposals from vendors to complete audits of the WDC’s financial statements reports for three consecutive calendar years, 2019 through 2021. Language in the contract permits the Board, by mutual agreement of the Board and vendor, to extend the contract for two additional two-year periods. At the June 2022 Board meeting, the Board approved the first two-year extension of the contract with Wipfli, covering the 2022 and 2023 WDC financial statements audits. There is one remaining two-year extension on the contract with Wipfli, which would address the 2024 and 2025 WDC financial statements report audits.

As a result of ETI0035 and the first contract extension, the costs and expected hours to complete each year’s financial statements report audit were as shown in Table 1.

Table 1: ETI0035 Financial Statements Report Audits

Year	\$ Cost	\$ Change	% Change	Hours
2019	23,825	---	---	154
2020	24,645	820	3.44	154
2021	25,490	845	3.43	154
2022	26,750	1,260	4.94	132.5
2023	27,675	925	3.46	132.5

Wipfli has delivered comprehensive, on-time financial statements report audit results and has developed a solid working knowledge of the WDC. Consequently, ETF contacted Wipfli regarding the firm’s interest in executing the second possible contract extensions under ETI0035. Wipfli submitted a proposal to ETF on January 31, 2024. Table 2 contains Wipfli’s proposed cost and hours for the 2024 and 2025 financial statements report audits.

Table 2: ETI0035 Extension 2 Proposal

Year	\$ Cost	\$ Change	% Change	Hours
2024	\$31,000	\$3,325	12.05	132.5+
2025	\$32,000	\$1,000	3.22	132.5+

Wipfli identified the primary reasons for the increase as:

- a. A necessary rise to accurately reflect the actual cost of the audit relative to inflation rates, which over the last two years were 9%. Wipfli noted the accounting field has seen higher inflation rates due in large part to staffing challenges, which are related to fewer students enrolling in and completing accounting degrees.
- b. The last few WDC financial statement report audits have taken more hours to complete than Wipfli originally estimated. Wipfli observed that the time necessary to complete the WDC audit varies from year to year but has averaged more time than anticipated in Wipfli’s response to RFP ETI0035. Wipfli also expects the

2024 and 2025 audits to require additional time because of a new statement on auditing standards, SAS 145. SAS 145 will require greater risk assessment and internal control procedures, which in turn will require more Wipfli staff time.

ETF recommends the Board extend the contract with Wipfli under ETI0035 for audits of calendar year 2024 and 2025 WDC financial statements reports. If the Board approves the second extension of the RFP ETI0035 contract, the Board's financial statements report audit contract with Wipfli will expire June 30, 2026. Alternatively, the Board could direct ETF to issue a Request for Proposal sooner than spring 2025 that could request pricing over a longer term or cap renewal increases.

Delegation of Authority to Secure Future Audit Services

Audits of the WDC's annual financial statements report are an excellent way to confirm the financial position of the WDC. An RFP is the preferred method to solicit proposals from and select the best qualified vendor to audit the WDC financial statements report.

ETF recommends that the Board delegate authority to the ETF secretary to solicit proposals and execute a contract with a qualified firm to perform future financial statements report audits of the WDC.

If authorized by the Board, ETF will issue an RFP for WDC financial statement report audit services to ensure the annual financial statements report audits are completed and presented to the Board on a timely basis. Proposals will be evaluated by a committee of subject matter experts and a contract awarded to the vendor that provides the best overall value.

- If the Board approves the second contract extension under ETI0035, an RFP would be developed and released for audits beginning with calendar year 2026.
- If the Board does not approve the second contract extension under ETI0035, an RFP would be developed and released for audits of calendar years 2024 and beyond.

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

Attachment A: [WDC Financial Statements Report Annual Audit Costs](#)