|  |  |  |
| --- | --- | --- |
| ETF logo | **Appendix 5 – AUDIT REQUIREMENTS** | Wisconsin Departmentof Employee Trust FundsPO Box 7931Madison WI 53707-79311-877-533-5020 (toll free)Fax 608-267-4549etf.wi.gov |

These Audit Requirements include the I. Scope of Work, II. Audit Timeline, and III. Performance Guarantees that will apply to the Contract.

# Scope of Work:

Audit Contractor will:

1. Conduct an annual audit of the Wisconsin Deferred Compensation Program (WDC) financial statements and notes in accordance with Generally Accepted Auditing Standards (GAAS) in the United States and the standards applicable to financial audits contained in Government auditing standards.
2. Express an opinion on the financial statements and notes.
3. Evaluate internal controls and compliance with laws, regulations, and contracts.
4. Issue a management letter with recommendations for improvements.
5. Present findings to the Deferred Compensation Board.
6. Submit **Initial Draft Report** by April 15 each year, **Final Draft Report** by April 30 each year, and **Final Opinion** **Report** 36 hours after Q2 Board meeting each year.

The Department will create an annual report, to be audited by an independent certified public accountant (Auditor or Contractor), of the financial status of the WDC, disclosing the value of the WDC assets, liabilities, analysis of cash receipts and disbursements, and other relevant information as may be reasonably requested by the Department. Information must be supplied to the Department to satisfy all Generally Accepted Auditing Standards reporting requirements.

The purpose of the financial statements audit for each Plan Year is for the Contractor to express an opinion on whether the “Statements of Net Position Available for Plan Benefits” and the “Statements of Changes in Net Position Available for Plan Benefits” of the WDC are prepared in conformity with generally accepted accounting principles (GAAP), are free from material misstatement, and are consistently applied. Contractor will work with the Department and the WDC’s contracted recordkeeper (Administrator) in auditing the WDC ’s financial statements for each Plan Year. This will include a review of the statements for compliance with the principles of the Governmental Accounting Standards Board applicable to the WDC.

Contractor shall conduct an examination of the WDC financial statements for the following periods:

Audit for the 12 month period ending December 31, 2026 which includes the comparative statements for the 12 month period ending December 31, 2025;

Audit for the 12 month period ending December 31, 2027 which includes the comparative statements for the 12 month period ending December 31, 2026; and

Audit for the 12 month period ending December 31, 2028 which includes the comparative statements for the 12 month period ending December 31, 2027.

**Reports and Documents**

Following the completion of the audit of a calendar year’s financial statements, the Contractor shall submit to the Department and Board the following:

A report on the fair presentation of the Wisconsin Deferred Compensation Program financial statements, which are prepared according to Generally Accepted Auditing Standards, and any supplemental information as required by the Board.

The Contractor shall produce a management letter for each year of the Contract commenting (if necessary) on material weaknesses in internal control and identifying possible noncompliance with finance-related legal provisions with appropriate recommendations. The Contractor shall express an opinion in the management letter on the financial statements of all funds covered in the scope under this Contract. The letter shall present observations and recommendations of the Contractor for improvement of the internal control structure, policies and procedures of the WDC or state that the Contractor has noted no circumstances necessitating recommendations for improvement. If the Contractor is unable to express an unqualified opinion, the Contractor shall state fully the reasons for qualification or disclaimer of opinion. Draft management letters must be provided to the Department for review and comment. The Contractor recognizes it has the responsibility to correct any deficiency, which results in a qualification or disclaimer of opinion.

The Contractor shall ensure that the Department and the Board are informed of:

The Contractor’s responsibility under generally accepted auditing standards

* Significant accounting policies
* Management judgments and accounting estimates
* Significant audit adjustments
* Other information in documents containing audited financial statements
* Disagreements with management
* Management consultation with other independent accountants
* Major issues discussed with management prior to retention
* Difficulties encountered in performing the audit

**Initial Draft Reports**

The initial draft report of the financial statements audit must have supervisory and technical review before it is submitted to the Department. The Contractor shall provide an electronic version of the initial draft audit report and management letter (if applicable) to the Department for review and approval. The Department should complete the review of the initial draft audit report as expeditiously as possible. During the Board’s review, the Contractor must be available to discuss the financial statements audit report. After all issues are resolved and management has approved the draft financial statements audit report and management letter (if applicable), an electronic version of the final draft audit report and management letter (if applicable) will be due to the Department for review no later than the following dates:

Calendar Year 2025 April 15, 2026

Calendar Year 2026 April 15, 2027

Calendar Year 2027 April 15, 2028

**Final Draft Reports**

After all issues are resolved and the Department has approved the draft audit report and management letter (if applicable), one electronic version of the final (draft) financial statements audit report and management letter (if applicable) to the Department, which the Department will deliver to the Board for finalization and acceptance. Contractor will provide the final (draft) report and management letter (if applicable) to the Department no later than the following dates:

Calendar Year 2025 April 30, 2026

Calendar Year 2026 April 30, 2027

Calendar Year 2027 April 30, 2028**Final Opinion Reports**

At the June (usually) Board meeting, the Final Draft Report will be reviewed for finalization and acceptance. The Contractor will deliver the Final Opinion Report no later than 36 hours after that Board meeting each year.

# Audit Timeline:

The Deferred Compensation Board recognizes that its appropriate officers have the responsibility for the proper recording of transactions in the books of account, for the safeguarding of assets and for the substantial accuracy of the financial statements. These Deferred Compensation Board officers have the responsibility to close and balance all accounts and on behalf of the Board, the Department has the responsibility to prepare the financial statements for all funds to be examined by the Contractor.

Contractor shall observe the adequacy of the systems of internal control for all funds of the Department’s Administrator, including those concerned with maintaining compliance with finance-related legal provisions. If material weaknesses are noted, appropriate recommendations shall be reviewed with the Department’s Administrator and then included in a separate letter to the Deferred Compensation Board.

|  |  |
| --- | --- |
| November-December | Contractor attends virtual introductory conference with ETF and WDC contract Administrator staff. |
| February | ETF creates draft financial statements report. Contractor fieldwork begins. |
| Anytime | At ETF request, virtual meeting with Contractor to check on audit progress. |
| March | ETF provides financial statements and notes to Contractor. |
| April 15 | Contractor delivers **Initial Draft Report** feedback to ETF. Audit procedures completed. |
| April 30 | Contractor delivers **Final Draft Report** to ETF. |
| May | Contractor finalizes financial statement report, including audit inquires & questions. |
| Q2 Board meeting June | Contractor attends Board meeting and presents draft report. |
| With 36 hours of Q2 Board meeting | Contractor delivers **Final Opinion Report** to ETF. |
| Upon Request | Exit conference with ETF staff, the Board and key auditor staff to summarize the results of the fieldwork and to review significant findings. |

# Performance Guarantees:

|  |  |  |
| --- | --- | --- |
| **Deliverable** | **Due Date** | **Penalty** |
| **Initial Draft Report** | April 15 | $100 penalty for each Business Day **Initial Draft Report** is late or of poor quality as determined by ETF. |
| **Final Draft Report** | April 30 | $100 penalty for each Business Day **Final Draft Report** is late or of poor quality as determined by ETF. |
| **Final Opinion Report** | within 36 hours of Q2 WDC Board meeting | $100 penalty for each Business Day **Final Opinion Report** is late or of poor quality as determined by ETF. |