



CHELAN COUNTY

# Audit Committee

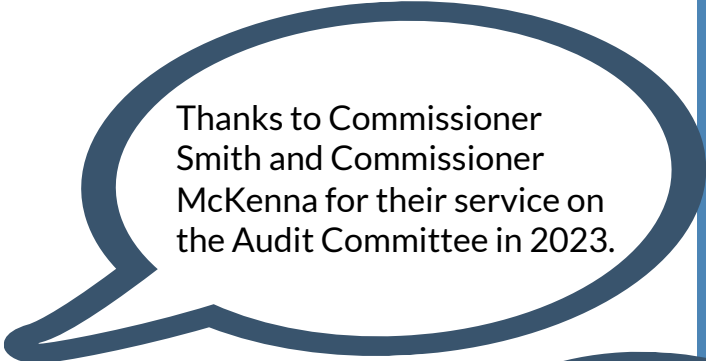
## 2023 Annual Report

February 20, 2024



# Introduction

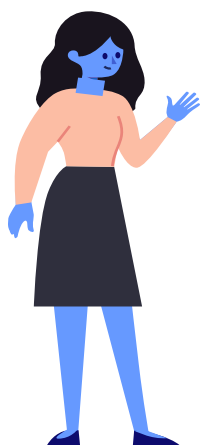
The Audit Committee Charter calls for annual reporting to the Board of Commissioners and General Manager about activities, issues and related recommendations. The Audit Committee was created by Resolution No. 04-12597 as a governance best practice and to provide functional reporting independence for Internal Audit. The Committee consists of the President and Vice President of the Board of Commissioners with the Secretary serving as alternate, as well as the District's General Counsel, Senior Manager for Customer Utilities, Generation & Transmission, District Services and the Chief Financial/Risk Officer.



Thanks to Commissioner Smith and Commissioner McKenna for their service on the Audit Committee in 2023.



Welcome Commissioner Arseneault in 2024.



# Meeting Highlights



1st Quarter  
March 2023



## External Auditors

PricewaterhouseCoopers expected to issue an unqualified opinion on the combined financial statements for fiscal year 2022. There were no significant changes to the planned audit approach. Final review of financial statements, final preparation and review of detailed testing are the remaining items to complete.

Other matters of emphasis include the accounting impacts of Governmental Accounting Standards Board Statement No. 87 “Leases” and review of new contracts and procurement processes.



## Internal Audit

The status of the 2023 Internal Audit Work Plan was discussed.

The Hot Work Program audit was presented with no findings or significant internal control weaknesses reported. Internal Audit found a strong commitment to the program.

Expense report reviews for 2022 showed 960 expense reports were processed of which 35% of those were reviewed by Internal Audit and Accounts Payable. This covered 75% of total reimbursement dollars. Expense report noncompliance trended downward and mostly included missing supporting documentation and per diems.

Of the total 9,753 Pcard transactions and \$3,516,583 spent, Internal Audit reviewed 1,326 transactions totaling approximately \$540,000. Noncompliance themes included missing supporting documentation and incorrect reporting of sales and use tax. 2023 efforts will include enhancing current training methods and materials.



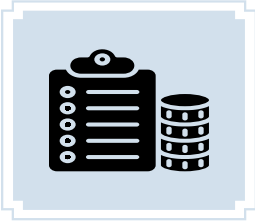
## Enterprise Risk Management

Enterprise Risk Management provided the Committee with an update on District risks.

# Meeting Highlights



**2** 2nd Quarter  
June 2023



## External Auditors

The State Auditor's Office provided an update on the Energy Independence Act Examinations.

- Energy Conservation Compliance covered January 1, 2020 - December 31, 2021, resulting in a clean opinion on compliance with the report issued on April 20, 2023. This is the sixth consecutive period the District has complied with the Act's requirements.
- Renewable Energy Compliance covered January 1, 2021 - December 31, 2021, resulting in a clean opinion to be released on July 6, 2023. This is the tenth consecutive period the District has complied with the Act's requirements.

The Department of Revenue Audit covered January 1, 2019-July 31, 2022 and included reviews of Public Utility Tax, Business & Occupation Tax, State & Local Sales Tax, and State & Local Use Tax. 266 excise tax returns, 73,648 accounts payable invoices processed, and 37,494 Pcard transactions were available to review. Errors found as a percentage of taxes paid for the period was 0.045% or \$21,630. Recommendations were provided.



## Internal Audit

The status of the 2023 Internal Audit Work Plan was discussed.

The Committee was updated on the Maintenance Planning Standards Review. The purpose of this audit was to determine the adequacy and effectiveness of the Maintenance Planning Standards implementation by ensuring procedures are in place to mitigate project delays, equipment/infrastructure failure, business disruption and rework, and comply with internal standards, policies and procedures.

City of Blaine's fraud investigation related to personal use of credit cards was presented. The fraud totaled \$4,535 and involved insufficient and ineffective supervisory review of credit card transactions. The District has established credit card processes to address fraud concerns and provides supervisors the necessary tools to perform adequate reviews.

# Meeting Highlights Cont.

**2** 2nd Quarter  
June 2023 cont.



## **Internal Audit Cont.**

The Internal Audit Periodic Self-Assessment Report, which covered January 1, 2021 through December 31, 2022, was presented. Based on the results, Internal Audit concluded the District's Internal Audit function complies with professional auditing standards and the Code of Ethics. The team identified opportunities to improve processes and procedures that enhance compliance with professional internal auditing requirements. During the self-assessment best practices were noted, implemented, or improved by the Internal Audit department.



## **Enterprise Risk Management**

Enterprise Risk Management provided the Committee with an update on District risks.

# Meeting Highlights Cont.

**3** 3rd Quarter  
Sept. 2023



## External Auditors

PricewaterhouseCoopers (PwC) discussed their plan for the 2023 financial statement audit. The risk assessment results note management override of controls and fraud in non-firm wholesale revenue recognition as high risks. These are ongoing risk items that PwC focuses on each year. Consideration of climate-related and other risks include regulatory factors and geographic factors. The audit timeline includes year-end procedures through March, and the final report is anticipated by April 14, 2023.



## Financial Reporting

Governmental Accounting Standard Board Statement No. 96-Subscription-Based Information Technology Arrangements (SBITA) – New accounting requirements are effective for the 2023 financial statements. SBITAs are financings of the right to use the vendors' underlying IT software and associated tangible capital assets. At this time the District has five material SBITAs subject to the new requirement. This has no impact to cash flows and no material impact to change in the District's net position.



## Internal Audit

The status of the 2023 Internal Audit Work Plan was discussed.

Internal Audit's External Quality Assessment review, which is performed every five years, was completed by the Institute of Internal Auditors. Internal Audit was assessed against forty-three Standards and passed with top ratings. Thirteen areas were noted where Internal Audit has successful practices, and seven areas were identified as improvement opportunities.

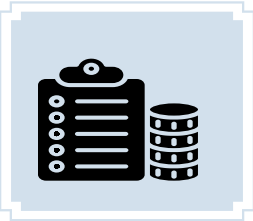


## Enterprise Risk Management

Enterprise Risk Management provided the Committee with an update on District risks.

# Meeting Highlights Cont.

**S** Special Mtg.  
Oct. 2023



## External Auditor

The State Auditor's Office (SAO) provided audit reports with clean opinions for:

- Energy Independence Act (EIA) - Renewable Energy 2022 audit. This was the 11th consecutive period the District complied with the renewable energy requirements of the EIA. Compliance with the renewable energy target of 254,214 megawatt-hours developed as a percentage of the District's average retail load in accordance with the EIA. SAO verified the District complied with the target using incremental hydro generation and the related renewable energy credits of a MWh value sufficient to meet that target.
- Clean Energy Transformation Act (CETA). The District performed and reported its greenhouse gas emissions calculations for 2020 and 2021 and developed and adopted its Clean Energy Implementation Plan for 2022-2025. Also, the District reported its biennial energy assistance assessment for 2019 and 2020 and made programs and funding for energy assistance available to low-income households by July 31, 2021. All were in accordance with applicable requirements of CETA.

# Meeting Highlights Cont.

**4** 4th Quarter  
January 2024



## Internal Audit

The status of the 2023 Internal Audit Work Plan was discussed.

The Rock Island Powerhouse 1 Rehabilitation Quality and Inspection Program Follow-Up review was discussed which noted six opportunities for improvement, two have been addressed. The remaining four items have plans for roll out in 2024 and will conclude in 2026.

Internal Audit presented the 2023 Annual Report which covers the group's activities, audit plan completion, and expenditures for the year. In 2023, annual productivity was 73%, just shy of the 75% goal. Annual productivity is measured by time spent on audit activities that include audits, consulting reviews, expenditure reviews (i.e., Payroll, Accounts Payable, Pcard, Expense Reports), management support, reliability compliance assistance, and quality assurance. The 2023 audit plan completion was 75% (goal of 80%). The report also included statistics on allocation of direct audit hours, departmental budget, and audit customer survey responses (customer satisfaction rating was a 4 out of 4 - Very Good).

Internal Audit also presented the draft audit plan. After review and discussion, the Audit Committee approved the 2024 Internal Audit Work Plan as presented.



## Enterprise Risk Management

Enterprise Risk Management provided the Committee with an update on District risks.