



CHELAN COUNTY

# Audit Committee

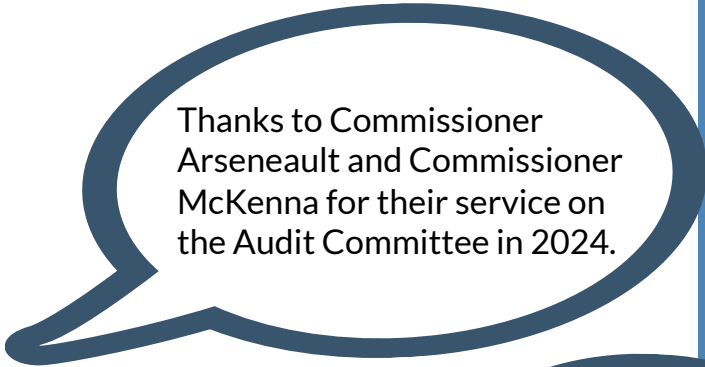
**2024 Annual Report**

February 18, 2025




# 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, Strategy & Stakeholder and the Chief Financial/Risk Officer.



Thanks to Commissioner  
Arseneault and Commissioner  
McKenna for their service on  
the Audit Committee in 2024.



Welcome Commissioner  
Allen in 2025.



# Meeting Highlights



1st Quarter  
March 2024



## External Auditors

PricewaterhouseCoopers expects to issue an unqualified opinion on the combined financial statements for fiscal year 2023. 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. 96 “Subscription-Based Information Technology Arrangements” and review of new contracts and procurement processes.

The State Auditor's Office (SAO) shared the results of the 2021-2023 accountability audit. The following areas were reviewed:

- Self-Insurance
- Accounts Payable
- Accounts Receivable
- Tracking and monitoring of theft sensitive assets
- Open public meetings
- Financial condition

In those selected areas, the District complied in all material respects with applicable state laws, regulations, and its own policies, and provided adequate controls for the safeguarding of public resources.

The next accountability audit is scheduled for 2025 for fiscal year 2024.

Moss Adams shared the results of the 2022 medical claims audit and operational review of Premera Blue Cross. This audit is conducted every three years. A sampling of 120 claims were selected totaling \$3,005,542. Overall accuracy percentages were 99.9 with only one error identified.

# Meeting Highlights



1st Quarter  
March 2024  
cont.



## Internal Audit

The status of the 2024 Internal Audit Work Plan was discussed.

The Crane Program audit was presented with no findings or significant internal control weaknesses reported. Internal Audit found a strong commitment to the program. Central Maintenance, Fleet and Distribution all have employees that operate, inspect or work around cranes.

Expense report reviews for 2023 showed 1,328 expense reports were processed of which 38% of those were reviewed by Internal Audit and Accounts Payable. This covered 79% of total reimbursement dollars. Expense report noncompliance remained consistent and mostly included timely reporting, travel authorization preparation and approval, and per diems.

Of the total 10,684 Pcard transactions and \$4,109,144 spent, Internal Audit reviewed 2,132 transactions totaling approximately \$970,000. Noncompliance themes included missing supporting documentation, incorrect reporting of sales and use tax, and travel authorization preparation and approval. 2024 efforts will include sharing tips and effective reconciliation strategies with cardholders.



## Enterprise Risk Management

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

# Meeting Highlights



**2** 2nd Quarter  
June 2024



### Financial Reporting

Accounting presented a change in the capitalization threshold. This change does not impact cash flows and is in alignment with acceptable accounting practices.



### Internal Audit

The status of the 2024 Internal Audit Work Plan was discussed.

The Committee was updated on the Cultural Resources Review. Acting in a consulting capacity, Internal Audit assisted the Strategy & Stakeholder Group with the District's cultural resources management and related stakeholder engagement practices. Using feedback from stakeholders and staff, studies on collaboration, policy examples, surveys, and discussions with subject matter experts, Internal Audit developed a maturity model covering proficiency in cultural resources and tribal relations management and provided improvement options for staff.



### Enterprise Risk Management

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

# Meeting Highlights Cont.

**3** 3rd Quarter  
Sept. 2024



## External Auditors

PricewaterhouseCoopers (PwC) discussed their plan for the 2024 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 April, and the final report is anticipated by mid April.

Energy Independence Act (EIA) - Renewable Energy 2023 audit. This was the 12th consecutive period the District complied with the renewable energy requirements of the EIA. Compliance with the renewable energy target of 270,726 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.

Upcoming energy examinations include;

- Energy Conservation Compliance 2022-2023
- Clean Energy Transformation Act 2022-2023
- Renewable Energy Compliance 2024



## Internal Audit

The status of the 2024 Internal Audit Work Plan was discussed.

New Global Internal Audit Standards are effective January 2025. The discussion included informing the audit committee of its roles and responsibilities for authorizing the internal audit function, establishing and protecting the function's independence, and overseeing the function's performance, all essential components that promote strong governance and enable the success of Internal Audit. Changes to the Standards prompted a review and updates to the Internal Audit Charter that included at a minimum:

# Meeting Highlights Cont.

**3** 3rd Quarter  
Sept. 2024 cont.

- The Purpose of Internal Auditing.
- A commitment to adhering to the Global Internal Audit Standards.
- The Mandate, including scope and types of service to be provided, and authority, roles and responsibilities of internal audit.
- Organizational positions and reporting relationships.



## **Enterprise Risk Management**

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

# Meeting Highlights Cont.

## 4 4th Quarter January 2025



### Financial Reporting

Accounting discussed year end progress and the PricewaterhouseCoopers 2024 financial audit. Accounting provided the auditors 162 schedules for review. The auditors will be onsite in February with anticipated report day of April 18, 2025.



### Internal Audit

The status of the 2024 Internal Audit Work Plan was discussed.

Asset Management, C2M Refund Approval Process and the Rock Island Powerhouse 2 Contract 18-10 Invoice Review are in final stages and carrying over to 2025.

Internal Audit presented the 2024 Annual Report which covers the group's performance measurements of productivity, audit plan completion, direct audit hours, recommendations resolved, customer satisfaction and expenditures for the year. In 2024, annual productivity was 68%, short 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 2024 audit plan completion was 100% (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 2025 Internal Audit Work Plan. After review and discussion, the Audit Committee approved the plan as presented.



### Enterprise Risk Management

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