

# **AUDIT POLICY**

*The State of Delaware Deferred Compensation Plans  
Under IRC §§ 457(b), 403(b) and 401(a)*

*The State of Delaware College Investment Plan under  
IRC § 529*

*The State of Delaware ABLE Plan under IRC § 529A*

**Approved on December 10, 2019**

**By the Delaware Plans Management Board**

## **I. The Plans Management Board and Its Committees**

The Plans Management Board (the “Board”) oversees and administers the State of Delaware (the “State”) deferred compensation program authorized under chapter 60A of title 29 of the Delaware Code (the “DC Program”). The DC Program encompasses three distinct deferred compensation plans authorized under the Internal Revenue Code (“IRC”): (a) the State’s deferred compensation plan under IRC § 457(b); (b) the State’s tax-sheltered annuity plan for certain education employees under IRC § 403(b); and (c) the State’s employer match plan under IRC § 401(a). The Board also oversees and administers the State’s college investment plan under IRC § 529 authorized by subchapter XII, chapter 34 of title 14 of the Delaware Code and the State’s Achieving a Better Life Experience (“ABLE”) program authorized by chapter 96A of title 16 of the Delaware Code (collectively, the “Plans”).

In February 2018, as memorialized in Resolution No. 2018-1 (the “Resolution”), the Board dissolved its existing Plan-based committee structure and adopted a new committee structure based on committee function. Pursuant to the Resolution, the Board created, among other things, a standing Audit and Governance Committee and vested it with initial responsibility for all audit-related matters, potential Plan amendments, Plan-related cybersecurity issues, and such other audit or governance matters pertaining to the Plans as may be referred by the Board.

## **II. Office of the State Treasurer**

The Office of State Treasurer (“OST”) provides administrative support for the Board and its Committees in accordance with 29 *Del. C.* § 2722(g).

## **III. Statement of Purpose and Scope**

Under 29 *Del. C.* § 2722(e), the Board is responsible for (a) arranging for annual audits of the Plans by one or more outside auditors, (b) entering into a memorandum of understating with the Auditor of Accounts (“AOA”) concerning the audits, including the payment of audit-related expenses, and (c) providing annual audit reports to the General Assembly. This policy governs the exercise of those duties.

## **IV. Annual Audits**

The Board shall ensure that each Plan is audited annually by a reputable, experienced outside audit firm. Audit reports should be presented to the Board for approval as soon as reasonably practicable after the close of the applicable Plan year.<sup>1</sup>

Audits shall be performed in accordance with applicable standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

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<sup>1</sup> Plan years for the DC Program and the college investment Plan begin on January 1 and end on December 31<sup>st</sup> of each year. The ABLE Plan operates on a fiscal year beginning on July 1 and ending on June 30<sup>th</sup> of the following year.

## **V. Selection of Outside Auditors**

By law, except as noted below with respect to the ABLE Plan, AOA is authorized to and periodically does select through a formal procurement process a certified public accounting firm or firms (“Audit Firm”) to perform annual audits for the Plans. OST shall monitor that process and, if possible, participate in any evaluation committee formed in connection with the procurement of an Audit Firm and shall report any issues to the Board prior to the issuance of an award, including without limitation questions regarding the reputation, capabilities or experience of a prospective Audit Firm, or issues with proposed fees or fee structures.

The ABLE Plan is part of the National ABLE Alliance, a consortium of states that have pooled assets to generate scale for their respective ABLE programs. Under applicable agreements, the ABLE consortium trust is responsible for ensuring that an annual audit is conducted each fiscal year by an independent public accounting firm. OST shall monitor the selection of outside auditors for the ABLE Plan and shall promptly report any issues to the Board.

## **VI. MOUs with AOA and Payment of Audit Expenses**

The Board and AOA shall, from time to time, enter into memoranda of understanding (“MOUs”) concerning the annual audits for all Plans other than the ABLE Plan. Each such MOU shall, at a minimum, address the conditions and timing of the payment of Audit Firm fees and the reimbursement of oversight and other administrative expenses of AOA.

OST shall be responsible for negotiating the terms of each such MOU. Draft MOUs acceptable in form and substance to AOA shall be presented to the Audit and Governance Committee for recommendation to the full Board.

OST shall be responsible for remitting payments to Audit Firms and processing reimbursements to AOA. OST shall vet all Audit Firm invoices and may without further Board approval pay all undisputed charges in accordance with the MOU and the Board’s annual budget. OST is authorized to and shall directly address with the Audit Firm and/or AOA any disputed fees or expenses. OST is authorized to resolve any such dispute without further Board approval as long as the agreed-upon fees or expenses are within budgeted amounts. OST shall not pay any audit-related fees or expenses that exceed the amounts provided for in the annual budget without prior approval of the Board.

OST shall be responsible for vetting and processing reimbursements owing to AOA under an MOU. OST may without further Board approval process all undisputed charges in accordance with the MOU, the Board’s annual budget and the Board’s policy governing the payment of administrative expenses (the “Expense Policy”). OST is authorized to and shall directly address with AOA any disputed reimbursement amounts. OST is authorized to resolve any such dispute without further Board approval as long as the agreed-upon reimbursement amounts are within budgeted amounts and consistent with the Expense Policy. OST shall not process any reimbursements that exceed the amounts provided for in the annual budget, or which are inconsistent with the Expense Policy, without prior approval of the Board. .

## **VII. Reporting and Remediation**

For each Plan audit, the Audit Firm must provide a written reporting package in accordance with applicable auditing standards (the "Reports").

OST shall, at the first available regularly scheduled meeting, present Reports to the Audit and Governance Committee for recommendation to the full Board. Except for Reports concerning the ABLE Plan, Audit Firms should be present for presentations to the Audit and Governance Committee. Upon approval by the Board, OST shall ensure that each Report is provided to the General Assembly and otherwise published in accordance with applicable law.

Except as noted below, OST's Director of Contributions and Plan Management ("CPM") will be responsible for the remediation of material weaknesses and significant deficiencies identified in audit findings. The Audit and Governance Committee shall monitor the CPM Director's remediation efforts and periodically report to the full Board concerning those efforts. Reports to the Board shall include details of all corrective actions proposed or taken, the timelines for implementation and the final resolution of any finding. Findings shall remain open until closed by the Audit and Governance Committee

If there are any material weaknesses or significant deficiencies related to the ABLE Plan, the CPM Director is authorized to and shall work with the National ABLE Alliance and its professionals to resolve those issues. The CPM Director and the Audit and Governance Committee shall otherwise comply with the preceding paragraph with respect to remediation of and reporting related to ABLE-related audit findings.

#### **VIII. Miscellaneous Provisions**

This Policy shall be binding on Members and shall remain in effect until amended by the Board. The Board shall have full and complete discretion as to the interpretation of this document and its application to a specific situation. Nothing contained herein shall provide to any participant, beneficiary or any other party the right to enforce the terms of this Policy. Adopted by the Delaware Plans Management Board this 10<sup>th</sup> day of December 2019, as evidenced by the signature of the Board Chair, as attested below.

  
[\_\_\_\_\_] , Chair

<sup>1</sup> By motion approved on September 4, 2019, the State Treasurer was granted authority to sign on behalf of the Plans Management Board pending appointment and approval of a new chairperson.

ATTEST:

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Colleen Davis, State Treasurer