



**STATE OF WISCONSIN**  
**Legislative Audit Bureau**

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Toll-free hotline: 1-877-FRAUD-17

Joe Chrisman  
State Auditor

December 19, 2014

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-Chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We have completed our financial audit of the State Investment Fund as of and for the year ended June 30, 2014, to fulfill our audit requirements under ss. 13.94(1)(df) and 25.17(51), Wis. Stats., and as requested by the State of Wisconsin Investment Board (SWIB). The financial statements and our unmodified opinion are included in the State Investment Fund Annual Financial Report for fiscal year ended June 30, 2014, which may be found on SWIB's website.

The State Investment Fund invests the excess operating funds of State of Wisconsin agencies, the retirement funds, and the Wisconsin Local Government Investment Pool. Net income earned by the State Investment Fund decreased from nearly \$9.6 million in fiscal year (FY) 2012-13 to \$4.9 million in FY 2013-14, or by 48.6 percent, because of an ongoing low interest rate environment. After considering net investment income and net deposits and withdrawals, the State Investment Fund had a net position of \$7.5 billion as of June 30, 2014.

Enclosed is the independent auditor's report on internal control over financial reporting and on compliance and other matters, as required by *Government Auditing Standards*. As noted in this report, which was provided to SWIB, we did not identify any compliance or control concerns required to be reported under these standards.

Sincerely,

Joe Chrisman  
State Auditor

JC/SH/bm

Enclosure

cc: Senator Mary Lazich  
Senator Alberta Darling  
Senator Kathleen Vinehout  
Senator John Lehman

Representative Howard Marklein  
Representative John Nygren  
Representative Jon Richards  
Representative Melissa Sargent

Michael Williamson, Executive Director  
State of Wisconsin Investment Board



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Joe Chrisman  
State Auditor

October 28, 2014

Mr. Michael Williamson, Executive Director and  
Members of the Board of Trustees' Audit Committee  
State of Wisconsin Investment Board  
121 East Wilson Street  
Madison, Wisconsin 53703

Dear Mr. Williamson and Members of the Board of Trustees' Audit Committee:

We have completed a financial audit of the State Investment Fund as of and for the year ended June 30, 2014. In our opinion, the financial statements of the State Investment Fund present fairly, in all material respects, its financial position as of June 30, 2014. The financial statements and related auditor's opinion are included in the State Investment Fund Annual Financial Report for fiscal year ended June 30, 2014.

As required by *Government Auditing Standards*, we are also furnishing you with the independent auditor's report on internal control over financial reporting and on compliance and other matters. We did not identify any compliance or control concerns required to be reported under these standards.

We appreciate the courtesy and cooperation extended to us by State of Wisconsin Investment Board staff.

Sincerely,

Joe Chrisman  
State Auditor

JC/SH/lw

Enclosure



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Joe Chrisman  
State Auditor

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee

Mr. Michael Williamson, Executive Director and  
Members of the Board of Trustees  
State of Wisconsin Investment Board

We have audited the financial statements and the related notes of the State Investment Fund as of and for the year ended June 30, 2014, and have issued our report thereon dated October 28, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, which is issued by the Comptroller General of the United States. The financial statements and related auditor's opinion have been included in the State Investment Fund Annual Financial Report for the fiscal year ended June 30, 2014.

### Internal Control over Financial Reporting

Management of the State of Wisconsin Investment Board (SWIB) is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered SWIB's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SWIB's internal control. Accordingly, we do not express an opinion on the effectiveness of SWIB's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent misstatements, or to detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the State Investment Fund's financial statements will not be prevented, or that a material misstatement will not be detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State Investment Fund's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SWIB's internal control and compliance. The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of SWIB's internal control or on compliance. Accordingly, this report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU



Joe Chrisman  
State Auditor

October 28, 2014