



STATE OF WISCONSIN  
Legislative Audit Bureau

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Joe Chrisman  
Interim State Auditor

September 21, 2011

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 2010 financial audit of the Department of Employee Trust Funds, as requested by the Department and to fulfill our audit requirements under s. 13.94(1)(dd), Wis. Stats. The Department's financial statements report on the financial position and activity of various benefit programs available to state and local public employees, including the Wisconsin Retirement System (WRS) and health and life insurance programs for active and retired employees of the state and participating local governments. The statements and our unqualified opinion on them are included in the Department's 2010 Comprehensive Annual Financial Report (CAFR), which can be found on its Web site.

The largest program administered by the Department is the WRS, which reported net assets of \$75.9 billion at the end of 2010 and provided benefits totaling \$3.9 billion during 2010. The WRS reported positive investment returns and a net increase in retirement assets of \$5.9 billion during 2010. At the end of 2010, the WRS was 93.8 percent funded based on the fair value of its assets and 99.8 percent funded based on standard actuarial measures, which smooth investment returns over a five-year period. As required by s. 13.94(1)(dc), Wis. Stats, the Audit Bureau contracted with an independent actuary to perform an audit of the WRS's consulting actuary. The results of that audit were released on August 25, 2011.

Accompanying this letter is a management letter we provided to the Department, which includes an auditor's report on internal control and compliance, as required by *Government Auditing Standards*. We are pleased to note that the Department has taken steps to address a long-standing concern related to cash reconciliations by performing a reconciliation at an appropriation level between the State's official accounting system and the Department's internal accounting system.

Sincerely,

A handwritten signature in black ink that reads 'Joe Chrisman'.

Joe Chrisman  
Interim State Auditor

JC/DA/bm

Enclosures

cc: Senator Mary Lazich  
Senator Alberta Darling  
Senator Kathleen Vinehout  
Senator Julie Lassa

Representative Kevin Petersen  
Representative Robin Vos  
Representative Andy Jorgensen  
Representative Jon Richards

David Stella, Secretary  
Department of Employee Trust Funds