



STATE OF WISCONSIN

## Legislative Audit Bureau

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Janice Mueller  
State Auditor

November 16, 2010

Senator Kathleen Vinehout and  
Representative Peter Barca, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Vinehout and Representative Barca:

We have completed our calendar year 2009 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 2009 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 \$70.0 billion at the end of 2009 and provided benefits totaling \$3.8 billion during 2009. After experiencing significant investment losses and a decrease in net retirement assets of \$25.2 billion during 2008, the WRS reported positive investment returns and a net increase in retirement assets of \$10.6 billion during 2009. At the end of 2009, the WRS was 88.2 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 is currently contracting with an independent actuary to perform an audit of the WRS's consulting actuary.

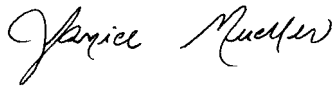
Accompanying this letter is a management letter we provided to the Department, which includes an auditor's report on internal control and compliance, as required by *Government Auditing Standards*. We are pleased to note that the Department has been attentive to addressing concerns we noted in past audits about access to certain computer systems.

We also note that the Department is in agreement with our recommendation and is working to address our continuing concern with cash reconciliations on a program level. During 2010, the Department was able to successfully reconcile the differences for some of its programs; however, it continues to investigate the variances in cash balances for the WRS and programs invested in

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the WRS's Core Fund. The Department anticipates resolving remaining cash differences by the end of 2010. We will continue to monitor and report on the Department's progress in addressing this concern in future audits.

Sincerely,



Janice Mueller  
State Auditor

JM/DA/bm

Enclosure

cc: Senator Robert Jauch  
Senator Mark Miller  
Senator Robert Cowles  
Senator Mary Lazich

Representative Andy Jorgensen  
Representative Mark Pocan  
Representative Bill Kramer  
Representative Samantha Kerkman

David Stella, Secretary  
Department of Employee Trust Funds