



STATE OF WISCONSIN

Legislative Audit Bureau

22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703
(608) 266-2818
Fax (608) 267-0410
www.legis.wisconsin.gov/lab

Janice Mueller
State Auditor

April 6, 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 2008 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 2008 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 \$59.4 billion at the end of 2008 and provided benefits totaling \$3.8 billion during 2008. Negative investment returns contributed to a net decrease in retirement assets of \$25.2 billion in 2008. At the end of 2008, the WRS was 76.5 percent funded based on the fair value of its assets and 99.7 percent funded based on standard actuarial measures, which smooth investment returns over a five-year period. More current information on the performance and status of the WRS can be found on the Department's and the State of Wisconsin Investment Board's Web sites.

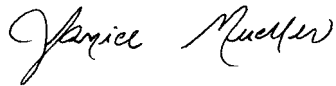
Accompanying this letter is a management letter we provided to the Department, which includes an auditor's report on internal control and compliance, as required by *Government Auditing Standards*. We are pleased to note that the Department has been attentive to addressing concerns we noted in past audits about its financial reporting process. We did not identify the level of errors for 2008 that we had found for 2006 and 2007.

We also note that the Department is in agreement with our recommendations and is working to address our continuing concerns with cash reconciliations on a program level and the need to be more diligent in ensuring that access changes to certain computer systems are made in a timely manner. However, because the Department has not had time to fully implement procedural

Senator Kathleen Vinehout and
Representative Peter Barca, Co-chairpersons
Page 2
April 6, 2010

changes recommended in the 2007 audit, we will continue to monitor and report on the Department's progress in addressing these concerns 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