



STATE OF WISCONSIN

## Legislative Audit Bureau

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Janice Mueller  
State Auditor

November 20, 2009

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 2007 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 information on the financial position and activity of various benefit programs available to public employees. The statements and our unqualified opinion on them are included in the Department's 2007 Comprehensive Annual Financial Report, which can be found on its Web site. We are currently in the process of completing the audit of the Department's 2008 financial statements. The Department anticipates its 2008 financial report will be issued in early 2010.

The largest program administered by the Department is the Wisconsin Retirement System, which reported net assets of \$84.7 billion at the end of 2007 and provided benefits totaling \$3.5 billion during 2007. Positive investment returns contributed to a net increase in retirement assets of \$4.3 billion in 2007. However, the adverse events in the global investment markets and corresponding volatile market conditions in 2008 have resulted in a considerable decrease in the Wisconsin Retirement System's investment assets from the balances in 2007. More current information on the performance and status of the Wisconsin Retirement System can be found on the Department's and the State of Wisconsin Investment Board's Web sites.

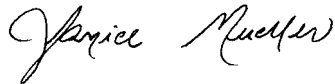
Accompanying this letter is a management letter we provided to the Department. As required by *Government Auditing Standards*, we include an auditor's report on internal control and compliance with the management letter. We identified concerns required to be reported under these standards:

- a continuing concern with inadequate procedures and insufficient attention and oversight to ensure the accuracy of the financial reporting process;
- a continuing concern with the lack of cash reconciliations on a program level; and
- concerns with controls over employee access to certain computer systems.

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The Department agrees with our recommendations and identifies the steps it plans to take to address our concerns. We also note that the Department has adequately addressed our concern with its compliance with a provision of federal tax law that we noted in our 2006 audit. We will continue to monitor and report on the Department's progress in addressing our outstanding concerns in future audits.

Sincerely,



Janice Mueller  
State Auditor

JM/BB/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