



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

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

Joe Chrisman
State Auditor

December 12, 2013

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

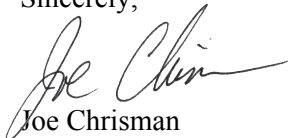
Dear Senator Cowles and Representative Kerkman:

We have completed our 2012 financial audit of the Department of Employee Trust Funds, as required by s. 13.94(1)(dd), Wis. Stats., and as requested by the Department. 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 unmodified opinion on them, are included in the Department's 2012 Comprehensive Annual Financial Report, which can be found on its website.

The largest program administered by the Department is the WRS, which reported a net position of \$81.1 billion as of December 31, 2012, an increase of \$7.2 billion over the prior year. The WRS provided benefits totaling \$4.2 billion, collected contributions of \$1.6 billion, and had positive investment returns of \$9.9 billion during 2012. On page 3, and as of December 31, 2012, the Department reported that the WRS was 102.9 percent funded based on the fair value of its assets and 99.9 percent funded based on standard actuarial measures, which smooth investment returns over a five-year period.

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, we did not identify any control or compliance concerns required to be reported under these standards.

Sincerely,



Joe Chrisman
State Auditor

JC/BG/sw

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

Mr. Robert J. Conlin, Secretary
Department of Employee Trust Funds



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

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

Joe Chrisman
State Auditor

December 12, 2013

Mr. Robert J. Conlin, Secretary
Department of Employee Trust Funds
801 West Badger Road
Madison, Wisconsin 53707

Dear Mr. Conlin:

We have completed the financial audit of the State of Wisconsin Department of Employee Trust Funds as of and for the year ended December 31, 2012. In our opinion, the financial statements of each fiduciary fund and of each proprietary fund administered by the Department present fairly, in all material respects, its financial position as of December 31, 2012. The financial statements and related opinion are included in the Department's 2012 Comprehensive Annual Financial Report.

As required by *Government Auditing Standards*, we are 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 control or compliance concerns required to be reported under these standards.

We appreciate the courtesy and cooperation extended to us by the Department's staff during the audit.

Sincerely,

Joe Chrisman
State Auditor

JC/CS/ss

Enclosure



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

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

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

Members of the Employee Trust Funds Board and
Mr. Robert J. Conlin, Secretary
Department of Employee Trust Funds

We have audited the financial statements and the related notes of each fiduciary fund and each proprietary fund, administered by the State of Wisconsin Department of Employee Trust Funds as of and for the year ended December 31, 2012, and have issued our report thereon dated December 9, 2013. 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 report have been included in the Department's 2012 Comprehensive Annual Financial Report.

Internal Control over Financial Reporting

Management of the Department 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 the Department's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department'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 Department'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

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 the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU



Joe Chrisman
State Auditor

December 9, 2013