



STATE OF WISCONSIN
Legislative Audit Bureau

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Joe Chrisman
Interim State Auditor

September 13, 2011

Mr. David Stella, Secretary
Department of Employee Trust Funds
801 West Badger Road
Madison, Wisconsin 53707

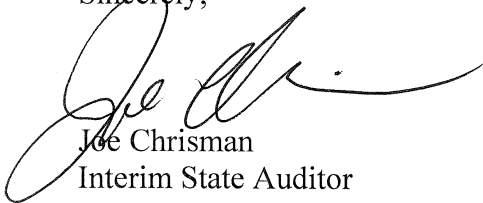
Dear Mr. Stella:

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, 2010. We have issued an unqualified auditor's report on the fair presentation of the Department's financial statements. The financial statements and related opinion are included in the Department's Comprehensive Annual Financial Report.

As required by *Government Auditing Standards*, we are furnishing you with the 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 are pleased to note that the Department has taken steps to address our past concerns 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.

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

Sincerely,



Joe Chrisman
Interim State Auditor

JC/DA/ss

Enclosure



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the funds administered by the State of Wisconsin Department of Employee Trust Funds as of and for the year ended December 31, 2010, and have issued our report thereon dated September 13, 2011. The financial statements and related auditor's opinion have been included in the Department's Comprehensive Annual Financial Report for 2010. 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*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its 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*.

We noted a certain matter pertaining to the method and assumptions used by the consulting actuary to develop the estimated Income Continuation Insurance liability that we communicated to the management of the Department in a separate memorandum dated August 29, 2011.

This independent auditor's report is intended solely for the information and use of the Department's management and governing boards, and the Wisconsin Legislature. This report is a matter of public record and its distribution is not limited. However, because we do not express an opinion on the effectiveness of the Department's internal control or on compliance, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

September 13, 2011

by



Diann Allsen
Audit Director