



STATE OF WISCONSIN
Legislative Audit Bureau

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Janice Mueller
State Auditor

May 13, 2005

Mr. Eric Stanchfield, Secretary
Department of Employee Trust Funds
801 West Badger Road
Madison, Wisconsin 53702

Dear Mr. Stanchfield:

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, 2003. We have issued an unqualified auditor's report on the fair presentation of the financial statements. The financial statements and related opinion are included in the Department of Employee Trust Fund's Comprehensive Annual Financial Report.

As provided for in *Government Auditing Standards*, we also 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 issues required to be reported under these standards as reportable conditions. However, during the course of the audit we did verbally communicate concerns with the administration and controls of the new Commuter Benefits program, which allows state employees to pay for certain employment-related transportation expenses on a pre-tax basis. Specifically, we noted that the Department was not allocating its administrative costs to the program, collecting contributions from employer agencies to cover the costs of the program, nor reconciling employee contributions to information obtained from the third-party administrator. Subsequently, the Department indicated that steps have been taken to address our concerns. We will review the adequacy of these steps during future audits.

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

Sincerely,

Janice Mueller
State Auditor

JM/DA/bm

Enclosure

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 State of Wisconsin Department of Employee Trust Funds as of and for the year ended December 31, 2003, and have issued our report thereon dated November 29, 2004. We did not audit the financial statements of the Deferred Compensation Plan. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Deferred Compensation Plan, is based solely on the report of the other auditors. 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. The financial statements of the Deferred Compensation Plan were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the additional requirements of *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

This independent auditor's report is intended solely for the information and use of the Department's management and the Wisconsin Legislature. This independent auditor's report, upon submission to

the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on internal control over financial reporting or on compliance, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU



by

Diann Allsen
Audit Director

November 29, 2004