

**Report 17-3  
February 2017**

# **State Investment Fund Fiscal Year 2015-16**

*State of Wisconsin Investment Board*

STATE OF WISCONSIN



Legislative Audit Bureau ■



# **State Investment Fund Fiscal Year 2015-16**

*State of Wisconsin Investment Board*

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Contact the Bureau at 22 East Mifflin Street, Suite 500, Madison, Wisconsin 53703;  
[AskLAB@legis.wisconsin.gov](mailto:AskLAB@legis.wisconsin.gov); or (608) 266-2818.

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## OPINION PUBLISHED SEPARATELY

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The financial statements and our opinion on them are included in the State of Wisconsin Investment Board's *State Investment Fund Annual Financial Report* for the fiscal year ended June 30, 2016





# STATE OF WISCONSIN | Legislative Audit Bureau

22 East Mifflin St., Suite 500 ■ Madison, WI 53703 ■ (608) 266-2818 ■ Hotline: 1-877-FRAUD-17 ■ [www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)

Joe Chrisman  
State Auditor

February 8, 2017

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

Dear Senator Cowles and Representative Kerkman:

As required by ss. 13.94 (1) (df) and 25.17 (51), Wis. Stats., we have completed a financial audit of the State Investment Fund managed by the State of Wisconsin Investment Board (SWIB) as of and for the year ended June 30, 2016. The financial statements and our unmodified opinion on them are included in SWIB's *State Investment Fund Annual Financial Report*, which may be found on SWIB's website.

The State Investment Fund invests the excess operating funds of State of Wisconsin agencies, the retirement funds, and the Wisconsin Local Government Investment Pool. Net investment income earned by the State Investment Fund increased from \$7.9 million in fiscal year (FY) 2014-15 to \$25.5 million in FY 2015-16. The increase is attributable to an increase in the State Investment Fund's investment return, which was 0.28 percent for FY 2015-16 compared to 0.11 percent for FY 2014-15. After considering net investment income and net deposit and withdrawals, the State Investment Fund had a net position of \$9.5 billion as of June 30, 2016, an increase from \$7.9 billion as of June 30, 2015.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is required by *Government Auditing Standards*, begins on page 5. We did not identify any compliance or internal control concerns required to be reported under these standards.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Joe Chrisman'.

Joe Chrisman  
State Auditor

JC/SH/ss





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## **Auditor's Report ■**

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Report 17-3

**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

Mr. Michael Williamson, Executive Director and  
Members of the Board of Trustees  
State of Wisconsin Investment Board

We have audited the financial statements and the related notes of the State Investment Fund as of and for the year ended June 30, 2016, and have issued our report thereon dated January 26, 2017. 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 opinion have been included in the *State Investment Fund Annual Financial Report* for the fiscal year ended June 30, 2016.

**Internal Control over Financial Reporting**

Management of the State of Wisconsin Investment Board (SWIB) 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 SWIB's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SWIB's internal control. Accordingly, we do not express an opinion on the effectiveness of SWIB'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 State Investment Fund's financial statements will not be prevented, or that a material misstatement will not be detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies. 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 State Investment Fund'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**

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

LEGISLATIVE AUDIT BUREAU



Joe Chrisman  
State Auditor

January 26, 2017