



STATE OF WISCONSIN  
Department of Employee Trust Funds

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**CORRESPONDENCE MEMORANDUM**

**DATE:** February 13, 2008  
**TO:** Wisconsin Deferred Compensation Board  
**FROM:** Shelly Schueller, Director  
Wisconsin Deferred Compensation Program  
**SUBJECT:** 2006 Financial Statements Audit Management Letter

In the management report that accompanied the 2006 Wisconsin Deferred Compensation Program (WDC) financial statements audit report, the Board's auditors identified a few significant deficiencies in the administration of the WDC. A copy of the Department letter outlining how these deficiencies will be corrected is attached to this memo.

The management letter suggested that the WDC's plan administrator, Great-West Retirement Services (GWRS), does not maintain an adequate set of financial records for the WDC, and identified this as an internal control deficiency. The auditors further recommended that the Board develop its own controls to monitor the preparation of financial statements. Recent Sarbanes-Oxley Act changes in public auditing standards indicate that relying on an audit firm to provide financial statements is no longer an acceptable practice. In response, the Department has begun to develop a basic general ledger that will be used to reconcile quarterly statement data in advance of the annual financial statements audit. GWRS has pledged to work with the Department and the auditing firm to ensure requested data is provided in a timely manner.

The management letter also identified two emergency hardship withdrawals as questionable. In researching these withdrawals, the Department confirmed that both participants completed distribution forms indicating that financial hardships were the main reason for the requests. During the hardship application review process, GWRS learned that both participants had separated from service and therefore normal separation from service distributions were processed. In an effort to prevent any future miscommunications regarding financial hardship applications, the Department has developed a more detailed internal tracking mechanism for financial hardships. We also expect to work closely with the local GWRS office on revisions intended to clarify the WDC financial hardship application process.

Department staff will be available at the meeting to discuss this memo and answer any questions you may have.

Attachments

Reviewed and approved by Jean Gilding, Deputy Administrator, Division of Retirement Services	
_____	_____
Signature	Date

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