



**OFFICE OF THE LEGISLATIVE AUDITOR**  
STATE OF MINNESOTA

Financial Audit Division Report

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**Minnesota State Board of Investment**  
**Year Ended June 30, 2007**



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## Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota state government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of representatives and senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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All OLA reports are available at our web site: <http://www.auditor.leg.state.mn.us>

If you have comments about our work, or you want to suggest an audit, investigation, or evaluation, please contact us at 651-296-4708 or by e-mail at [auditor@state.mn.us](mailto:auditor@state.mn.us)



**Financial Audit Division Report**

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**Minnesota State Board of Investment  
Year Ended June 30, 2007**

**February 22, 2008**

**08-05**

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FINANCIAL AUDIT DIVISION

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# Minnesota State Board of Investment

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### **Audit Participation**

The following members of the Office of the Legislative Auditor prepared this report:

Cecile Ferkul, CPA, CISA	Deputy Legislative Auditor
Thomas Donahue, CPA	Audit Manager
Joan Haskin, CPA, CISA	Audit Coordinator
Sonya Johnson, CPA	Team Leader
Jennifer Cooper	Staff Auditor
Kathy Rootham	Staff Auditor
Joseph Drechsler	Intern

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## Report Summary

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### **Audit Conclusions:**

- We issued an unqualified opinion on the financial statements of the Supplemental Investment Fund and the Post Retirement Investment Fund as of and for the year ended June 30, 2007.
- We did not identify any significant deficiencies involving the Minnesota State Board of Investment's (SBI) internal control over financial reporting or noncompliance with significant legal provisions that are required to be reported under *Government Auditing Standards*.

### **Background Information:**

SBI manages the investment of retirement fund assets of the Minnesota State Retirement System, Teachers Retirement Association, and the Public Employees Retirement Association. SBI also invests funds for other state agencies, including invested treasurer's cash, which is the idle cash in state accounts. At June 30, 2007, SBI administered approximately \$64 billion in state assets. SBI uses both internal staff and external money managers to fulfill its responsibilities. The external firms invest and manage the assets of the retirement funds and the assigned risk plan. SBI staff manage the other state investments.



Representative Rick Hansen, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Members of the Minnesota State Board of Investment

Mr. Howard J. Bicker, Executive Director  
Minnesota State Board of Investment

In auditing the Minnesota State Board of Investment's (SBI) basic financial statements for the year ended June 30, 2007, we considered its internal controls over financial reporting. We also tested SBI's compliance with significant legal provisions impacting the basic financial statements. Given the limited nature of our audit work, we do not express an overall opinion on the effectiveness of SBI's internal controls over financial reporting or its compliance with legal provisions. In addition, our work may not have identified all significant control deficiencies or instances of noncompliance with legal provisions.

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.

We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses. According to auditing standards, a control deficiency is significant if there is more than a remote likelihood that a consequential misstatement to the financial statements could occur and not be prevented or detected by SBI's internal control. A significant control deficiency elevates to a material weakness if there is more than a remote likelihood that a material misstatement would not be detected. In addition, the results of our tests of legal provisions disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Minnesota State Board of Investment

This report is intended solely for the information and use of the Legislative Audit Commission and the Minnesota State Board of Investment's management and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which was released as a public document on February 22, 2008.

*/s/ James R. Nobles*

James R. Nobles  
Legislative Auditor

*/s/ Cecile M. Ferkul*

Cecile M. Ferkul, CPA, CISA  
Deputy Legislative Auditor

End of Fieldwork: December 21, 2007

Report Signed On: February 19, 2008

# Minnesota State Board of Investment

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## Status of Prior Audit Issues As of December 21, 2007

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### Most Recent Audit

**February 22, 2007, Legislative Audit [Report 07-02](#)** covered the fiscal year ended June 30, 2006. The audit scope included the Supplemental Investment Fund and the Post Retirement Investment Fund financial statements included in SBI's annual report. We audit SBI on an annual basis. There were no reportable issues in that report.

#### State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.