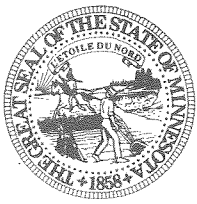


**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FINANCIAL AND COMPLIANCE AUDIT
FOR THE YEAR ENDED JUNE 30, 1988**

DECEMBER 1988



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Phillip J. Riveness, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. James Hacking, Executive Director
Public Employees Retirement Association

Audit Scope

We have completed a financial and compliance audit of the Public Employees Retirement Association for the year ended June 30, 1988. Our audit was made in accordance with generally accepted auditing standards, and the standards for financial and compliance audits contained in the U.S. General Accounting Office Government Auditing Standards, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed on December 1, 1988.

The objectives of the audit were to:

- express an opinion on the financial statements of the Public Employees Retirement Association (PERA) for the year ended June 30, 1988;
- study and evaluate major PERA internal control systems, including a review of annuity payments and other withdrawals, and receipts including contributions, payroll, and administrative disbursements; and
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minn. Stat. Chapters 353 and 356, and other finance-related laws and regulations.

Management Responsibilities

The management of PERA is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly. Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any

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evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of PERA is also responsible for the agency's compliance with laws and regulations. We selected and tested transactions and records from the programs administered by PERA in order to obtain reasonable assurance that PERA had, in all material respects, administered their programs in compliance with applicable laws and regulations.

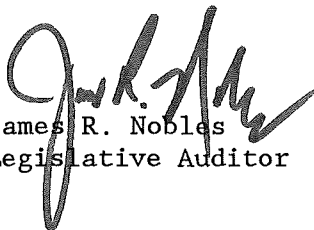
Conclusions


We have issued an unqualified opinion on the PERA financial statements for the year ended June 30, 1988. Our audit opinion, dated December 1, 1988, is included within the 1988 PERA Comprehensive Annual Report.

In our opinion, the PERA system of internal accounting control in effect on June 30, 1988, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

In our opinion, for the year ended June 30, 1988, PERA administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

We would like to thank the Public Employees Retirement Association staff for the cooperation extended to us during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

December 19, 1988