

**TEACHERS RETIREMENT ASSOCIATION
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 1989**

JANUARY 1990

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

TEACHERS RETIREMENT ASSOCIATION

FINANCIAL AUDIT FOR THE YEAR ENDED JUNE 30, 1989

Public Release Date: January 10, 1990

No. 90-1

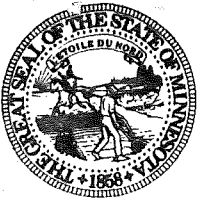
OBJECTIVES:

- EXAMINE THE ASSOCIATION'S FINANCIAL STATEMENTS.
- EVALUATE INTERNAL CONTROL STRUCTURE: Employee and employer contributions, annuity payments, refunds of contributions, administrative disbursements, and staff payroll.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

- We issued an unqualified opinion on the financial statements.
- We found the internal control structure to be effective.
- We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Legislative Audit Commission

Members of the Legislative Audit Commission

Vernell R. Jackels, President, Board of Trustees
Teachers Retirement Association

Members of the Board of Trustees
Teachers Retirement Association

Mr. Elton Erdahl, Executive Director
Teachers Retirement Association

Audit Scope

We have audited the financial statements of the Teachers Retirement Association as of and for the year ended June 30, 1989 and issued our report thereon dated December 1, 1989. We have also made a study and evaluation of the internal control structure of the Teachers Retirement Association in effect at June 30, 1989.

We conducted our audit in accordance with generally accepted government auditing standards, including Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

As part of our examination of the financial statements and our study and evaluation of the internal control structure, we performed tests of the Teachers Retirement Association's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Teachers Retirement Association is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

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- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- cash and investments,
- employee and employer contributions,
- annuity payments,
- refunds of contributions,
- administrative disbursements, and
- staff payroll.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

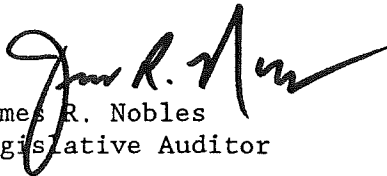
Conclusions

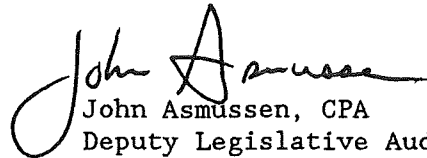
In our opinion, the internal control structure of the Teachers Retirement Association in effect at June 30, 1989, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial transactions of the Teachers Retirement Association.

The results of our tests indicate that, with respect to the items tested, the Teachers Retirement Association complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Teachers Retirement Association had not complied, in all material respects, with those provisions.

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This report is intended for the information of the Legislative Audit Commission and management of the Teachers Retirement Association. This restriction is not intended to limit the distribution of this report, which was released as a public document on January 10, 1990.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: December 6, 1989

REPORT SIGNED ON: January 5, 1990