January 13, 2006

Members of the Legislative Audit Committee:

In our audit report dated December 16, 2005, we concluded that the Fire Fighters’ Pension Commissioner’s (Commissioner) basic financial statements for fiscal year 2005 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America.

We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards. Our procedures were not intended to provide an opinion on internal control over financial reporting or to provide an opinion on compliance with laws and regulations. However, our procedures did not identify any material weaknesses in internal control over financial reporting or any noncompliance with laws or regulations that materially affected the financial statements.

The major internal controls that we reviewed for the purpose of forming our opinion on the financial statements were generally operating effectively. As required by professional auditing standards, we will also communicate certain matters related to the conduct of a financial statement audit to the Audit Committee of the Texas Statewide Emergency Services Personnel Retirement Fund Board of Trustees.

Conducting this audit also enabled us to obtain information regarding the following:

- For fiscal year 2005, the Commissioner reported a 14.5 percent return on investment for the Texas Statewide Emergency Services Retirement Fund (Fund). This resulted in net assets held in trust for pension benefits increasing from $36.0 million to $40.1 million (an 11.4 percent increase). However, the impact on the Fund’s $13.4 million unfunded actuarial accrued liability will not be known until the Fund’s next actuarial valuation to be conducted as of August 31, 2006.

- With the approval of the Fund’s Board of Trustees, the Commissioner has implemented a number of procedural changes to improve efficiency. These include (1) asking participating departments to submit service information online instead of in paper form and (2) billing all participating departments quarterly in arrears instead of at different intervals in advance.

Objective, Scope, and Methodology

The audit objective was to issue an opinion on the Fire Fighters’ Pension Commissioner’s (Commissioner) fiscal year 2005 financial statements in accordance with auditing standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

The audit scope covered the Commissioner’s fiscal year 2005 basic financial statements.

The audit methodology included conducting interviews, confirming investment balances and contributions received, testing benefit payments, and performing other analytical procedures.

The following staff of the State Auditor’s Office performed the audit:

- Anthony W. Rose, MPA, CPA, CGFM (Project Manager)
- Shahpar McIntyre, CPA, JD
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- Dave Gerber, MBA, CISA (Audit Manager)
We appreciate the Commissioner’s assistance during this audit. If you have any questions, please contact Dave Gerber, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

cc: Texas Statewide Emergency Services Personnel Retirement Fund Board of Trustees
   Mr. Frank Torres, Chairman
   Mr. Allen J. Scopel, Vice Chairman
   Mr. Paul V. Loeffler, Secretary
   Mr. Blevins (Oscar) Choate, Jr.
   Mr. Kyle A. Donaldson
   Ms. Gracie G. Flores
   Mr. Rex W. Klesel
   Mr. Maxie L. Patterson
   Mr. Robert Weiss
   Ms. Lisa Ivie Miller, Fire Fighters’ Pension Commissioner