



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET  
LANSING

RICK SNYDER  
GOVERNOR

JOHN E. NIXON, CPA  
DIRECTOR

June 1, 2012

Doug Ringler, Director  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 South Capitol, 6<sup>th</sup> Floor  
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, following is a summary of our corrective action plans to address recommendations contained within the Office of the Auditor General's audit report for the State Sponsored Group Insurance Fund (SSGIF), Department of Technology, Management and Budget, Civil Service Commission, and Office of the State Employer.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 335-1557.

Sincerely,

Signature Redacted

Michael R. Gilliland, Director  
Financial Services

Attachment

c: Mark Freeman, Office of the Auditor General  
House Fiscal Agency  
Phillip Jeffery, DTMB  
Senator Rodger Kahn, Chair, Senate Appropriations  
Rick Lowe, DTMB Audit Services Bureau  
Rep. Chuck Moss, Chair, House Appropriations  
Dennis Muchmore, Executive Office  
Dick Posthumus, Executive Office  
Lauri Schmidt, Civil Service Commission  
Senate Fiscal Agency  
Matt Sweeney, DTMB  
Kurt Weiss, DTMB  
Jan Winters, Office of the State Employer

State Sponsored Group Insurance Fund  
Department of Technology, Management and Budget  
Civil Service Commission  
Office of the State Employer  
Summary of Agency Responses to Recommendations  
Audit Period: 10/1/09 – 9/30/10

**Recommendation No. 1 – Controls Over State Transactions at Third Party Service Organizations:**

We recommend that DTMB improve its documentation of TPSOs' controls over authorizing, recording, and processing claims on behalf of SSGIF.

We also recommend that DTMB improve its financial monitoring of TPSOs to ensure the completeness and accuracy of SSGIF's financial records.

**Response:**

DTMB is working with the Civil Service Commission and the Office of the State Employer to improve documentation and financial monitoring of TPSOs' controls associated with processing claims to ensure the accuracy of SSGIF's financial records. Specific steps include improving existing procedures related to claims processing and eligibility determination, as well as further verification of claim amounts and valid participants. Expected completion date is 9/30/2011.

**Recommendation No. 2 – Proper Recording of Financial Statement Transactions:**

We recommend that DTMB improve its internal control to ensure that financial statement transactions for SSGIF are properly classified and recorded in the proper amount and in the proper fiscal year.

**Response:**

The classification errors noted in the finding did **not** result in inaccurate fund balance at the end of fiscal year 2009-10. DTMB will record prior year adjustments appropriately and has made improvements in the department's year-end transaction processing and review procedures.