



Michigan
Office of the Auditor General
REPORT SUMMARY

Management Letter

Report Number:
 071-0143-11M

*State Sponsored Group Insurance Fund
 Department of Technology, Management &
 Budget, Civil Service Commission, and
 Office of the State Employer*

October 1, 2009 through September 30, 2010

Released:
 March 2011

The management letter is used to report significant deficiencies in internal control over financial reporting and other matters that come to the auditor's attention during the completion of the financial audit conducted in accordance with generally accepted government auditing standards. This management letter is being issued in conjunction with our financial audit of the State Sponsored Group Insurance Fund, a proprietary fund of the State of Michigan.

Financial Statements:

Auditor's Report Issued

We have audited the financial statements of the State Sponsored Group Insurance Fund (SSGIF) as of and for the fiscal year ended September 30, 2010 and have issued a separate report thereon dated January 5, 2011. We issued an unqualified opinion on SSGIF's financial statements.

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Internal Control Over Financial Reporting

We identified significant deficiencies in internal control over financial reporting (Findings 1 and 2). We do not consider these significant deficiencies to be material weaknesses.

The Department of Technology, Management & Budget (DTMB) needs to improve its documentation of third party service organizations' (TPSOs') controls

over authorizing, recording, and processing claims on behalf of SSGIF. Also, DTMB could improve its financial monitoring of TPSOs to ensure the completeness and accuracy of SSGIF's financial records. (Finding 1)

DTMB's internal control did not ensure that financial statement transactions for SSGIF were properly classified and recorded in the proper amount and in the proper fiscal year (Finding 2).

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**Noncompliance and Other Matters
 Material to the Financial Statements**

We did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under *Government Auditing Standards*.

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Agency Response:

Our management letter includes 2 findings and 3 corresponding recommendations. DTMB's preliminary response indicates that it agrees with the recommendations.

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Background:

The State Sponsored Group Insurance Fund, a proprietary fund of the State of Michigan, was administratively established to account for employee insurance benefits programs, which are largely self-funded. Five group insurance programs are offered to State employees: health, dental, vision, long-term disability, and life.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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