



Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

*Management Letter*

Report Number:  
071-0151-11M

*Michigan State Employees' Retirement System*

*October 1, 2008 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 Michigan State Employees' Retirement System (MSERS).*

**Financial Statements:**

**Auditor's Report Issued**

We have audited MSERS's financial statements as of and for the fiscal years ended September 30, 2010 and September 30, 2009 and have issued a separate report thereon dated December 30, 2010. We issued an unqualified opinion on MSERS's financial statements.

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**Internal Control Over Financial Reporting**

We identified a significant deficiency in internal control over financial reporting (Finding 1). We do not consider this significant deficiency to be a material weakness.

The Office of Retirement Services (ORS) and Financial Services, within the Department of Technology, Management & Budget (DTMB), did not have sufficient controls to ensure that they properly classified MSERS's financial activity (Finding 1).

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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 1 finding and 1 corresponding recommendation. DTMB's preliminary response indicates that ORS and Financial Services agree with the recommendation.

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**Background:**

MSERS is a single-employer, Statewide, defined benefit public employee retirement plan governed by the State and created under Act 240, P.A. 1943, as amended. MSERS's pension plan was established by the State to provide retirement, survivor, and disability

benefits to the State's government employees. In addition, MSERS's other postemployment benefits (OPEB) plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act. By statute, employees of the following employers are also covered by this plan: American Legion, American Veterans, Veterans of Foreign Wars, Disabled American Veterans, Mackinac Island State Park, Marine Corps League, Michigan Bar Association, Business Enterprise Program, Third Circuit Court, Records Court, and 36th District Court. Although MSERS reports information for several small employers, the State is legally responsible for almost all contractually required contributions to MSERS. This level of responsibility is ongoing and is unlikely to change significantly in the foreseeable future. Therefore, the reporting requirements for a single-employer plan have been adopted.

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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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