



Michigan
Office of the Auditor General
REPORT SUMMARY

Management Letter

Report Number:
071-0151-12M

Michigan State Employees' Retirement System

October 1, 2009 through September 30, 2011

Released:
April 2012

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 basic financial statements as of and for the fiscal years ended September 30, 2011 and September 30, 2010 and have issued a separate report thereon dated January 19, 2012. We issued an unqualified opinion on MSERS's financial statements.

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Internal Control Over Financial Reporting

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we did identify a significant deficiency (Finding 1).

The Office of Retirement Services (ORS) and Financial Services, within the Department of Technology, Management, and 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 it agrees 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 operating under the provisions of 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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