



Michigan
Office of the Auditor General
REPORT SUMMARY

Management Letter

Report Number:
071-0151-13M

Michigan State Employees' Retirement System

Fiscal Years Ended September 30, 2012 and
September 30, 2011

Released:
April 2013

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, 2012 and September 30, 2011 and have issued a separate report thereon dated January 29, 2013. 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 significant deficiencies (Findings 1 and 2).

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 recorded MSERS's financial activity (Finding 1).

ORS and Financial Services did not adhere to established deadlines to ensure that they recorded MSERS's financial activity and prepared drafts of MSERS's statements, notes, and *Comprehensive Annual Financial Report* timely and accurately (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*. However, we noted an instance of other noncompliance (Finding 2).

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Agency Response:

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

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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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