



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET

LANSING

RICK SNYDER
GOVERNOR

DAVID B. BEHEN
DIRECTOR



January 21, 2015

Jeffery Bankowski, Director
Office of Internal Audit Services
State Budget Office
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Bankowski:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's performance audit report of the Member Data of the Michigan Public School Employees' Retirement System (MPERS).

Questions regarding the summary table or corrective action plans should be directed to me.

Sincerely,

Signature Redacted

Michael Gilliland, Director
DTMB Financial Services

- c: Rep. Al Pscholka, Chair, House Appropriations
- Senator Dave Hildenbrand, Chair, Senate Appropriations
- Mark Freeman, Office of the Auditor General
- Dennis Muchmore, Executive Office
- Dick Posthumus, Executive Office
- House Fiscal Agency
- Senate Fiscal Agency
- Phillip Jeffery, DTMB
- Phil Stoddard, DTMB
- John Juarez, DTMB
- Rick Lowe, SBO
- Scott Starr, DTMB
- Caleb Buhs, DTMB

State of Michigan
Department of Technology, Management and Budget
Member Data of the Michigan Public School Employees' Retirement System (MPERS)

Summary of Agency Responses to Recommendations

1. Audit recommendations DTMB fully complied with: #2, #3 and #4
2. Audit recommendations DTMB agrees with and will comply: #1
3. Audit recommendations DTMB disagrees with: None

Agency Plan to Address the Recommendations

Recommendation No. 1: Reported Member Wage and Hour Data.

Finding #1 contained two recommendations from the OAG. ORS agrees with the recommendations. In FY15, ORS plans to conduct a payroll audit of all MPERS's reporting units. The audit will validate membership, wages, contributions, and ensure they are being properly reported to ORS.

ORS acknowledges the Office of Auditor General's innovative recommendation of using the UIA data and will perform a cost-benefit analysis to determine whether using the UIA data is a viable option. The cost-benefit analysis will take place during FY 2015.

Lastly, MPERS will implement the Governmental Accounting Standards Board Statement No.67, *Financial Reporting for Pension Plans*. As part of the Statement No. 67 implementation, the auditors of MPERS will be required to audit a minimum percentage of the school district reported demographic and wage data. ORS will follow up on any items identified during the audit.

Recommendation No 2: Verification of New Hire Benefit Structure Enrollment.

ORS agrees with the recommendation and has complied with the recommendation in January 2014. ORS has implemented process enhancements which confirm and document newly hired MPERS members reported to its system. These process enhancements also include a benefit structure monitoring system as well as a proactive communication effort to MPERS reporting units on new hires. Lastly, ORS will have two more additional system enhancements planned for FY15 that will address how a benefit structure is created in the Clarety system.

Recommendation No. 3: Members Under the Age of 19 Years.

ORS agrees and has complied with the recommendation as of July 1, 2013. ORS implemented an annual process to review members reported under the age of 19 and established controls to improve the standards to how members are placed into a benefit structure. ORS is continuing to improve and resolve members identified during the review moving forward.

Recommendation No. 4: Retiree Wage Review.

ORS agrees and has complied with the recommendation as of July 1, 2013. ORS has implemented a comprehensive review of retiree wages performed quarterly to ensure reporting compliance with members who return to work.