

# EXECUTIVE DIGEST

## MICHIGAN STATE POLICE RETIREMENT SYSTEM

### INTRODUCTION

This report contains the results of our financial audit of the Michigan State Police Retirement System (MSPRS), Office of Retirement Systems (ORS), Department of Management and Budget, for the period October 1, 1993 through September 30, 1995.

### AUDIT PURPOSE

This financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements.

### BACKGROUND

The State Police Pension, Accident, and Disability Fund was created in 1935 for employees of the Michigan Department of State Police who have subscribed to the constitutional oath of office. Effective October 1, 1986, Act 182, P.A. 1986 (Sections 38.1601 - 38.1648 of the *Michigan Compiled Laws*), transferred the operations of the State Police Pension, Accident, and Disability Fund to the Office of Retirement Systems, Department of Management and Budget, and also created the Michigan State Police Retirement System. A nine-member retirement board oversees MSPRS.

MSPRS retirement provisions allow for the retirement of enlisted personnel after 25 years of service (which may include the purchase of up to 2 years of military service credit) at 60% of the officer's final average compensation\* .

There were 1,831 and 1,759 persons (retirees, spouses, and dependent children) on the retirement payroll as of September 30, 1995 and September 30, 1994, respectively. The retirement payroll for the fiscal years ended September 30, 1995 and September 30, 1994 was \$35,507,584 and \$33,046,314, respectively.

**AUDIT  
OBJECTIVES  
AND  
CONCLUSIONS**

**Audit Objective:** To assess the adequacy of MSPRS's internal control structure\* .

**Conclusion:** Our assessment of MSPRS's internal control structure did not disclose any material weaknesses\*. However, we noted certain reportable conditions\* in the areas of retirement benefit\* internal controls, retirement allowance computations, and membership data (Findings 1 through 3).

**Audit Objective:** To assess MSPRS's compliance with applicable statutes, the *Michigan Administrative Code*, State procedures, and Department policies and procedures.

**Conclusion:** Our assessment of MSPRS's compliance with applicable statutes, the *Michigan Administrative Code*, policies, and procedures did not disclose any instances of noncompliance that could have a material effect on MSPRS's financial statements. However, we noted certain reportable conditions involving MSPRS's incorrect computation of retirement allowances for those retirees receiving worker's compensation benefits (Finding 1) and retirees whose final average compensation included supplemental longevity payments or excess compensatory time payoffs (Finding 2). These findings are reported under the internal control structure objective of this report.

**Audit Objective:** To audit MSPRS's financial statements as of and for the fiscal years ended September 30, 1995 and September 30, 1994.

**Conclusion:** We expressed an unqualified opinion on the financial statements for the fiscal years ended September 30, 1995 and September 30, 1994. However, we noted a reportable condition pertaining to the MSPRS unfunded actuarially accrued liability\* (Finding 4).

**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the Michigan State Police Retirement System for the period October 1, 1993 through September 30, 1995. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

**AGENCY  
RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report contains 4 findings and 8 corresponding recommendations. ORS indicated that it has either complied with or taken steps to comply with all the recommendations.

MSPRS complied with 9 of our 11 prior audit recommendations; the other 2 are repeated in this report.