

## EXECUTIVE DIGEST

# STATE SPONSORED GROUP INSURANCE FUND

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### INTRODUCTION

This report contains the results of our financial audit\* of the State Sponsored Group Insurance Fund (SSGIF), Office of the State Employer (OSE) and Department of Management and Budget (DMB), for the period October 1, 1995 through September 30, 1997.

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### AUDIT PURPOSE

This financial audit of the Fund 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.

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### BACKGROUND

SSGIF was administratively established in fiscal year 1981-82 to account for employee and retiree insurance benefit program costs. The Group Insurance Section, Employee Benefits Division, Department of Civil Service, administered SSGIF until July 29, 1996, when the director of DMB assumed responsibility per Executive Order 1996-5. The director of DMB has assigned to OSE the responsibility for the administration of SSGIF and all insurance benefits for State employees.

Five group insurance programs are currently offered to State employees: dental, vision, life, long-term disability (LTD), and health. Funding for the various insurance

programs is based on the respective pay action determinations made by the Civil Service Commission and varies among employee groups. Retirees of the State of Michigan are offered dental, vision, life, and health group insurance programs.

For fiscal year 1996-97, DMB reported total expenses and operating transfers for SSGIF of \$584.6 million. As of September 30, 1997, the Employee Benefits Division of OSE and DMB had 12 employees.

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**AUDIT OBJECTIVES,  
CONCLUSIONS, AND  
NOTEWORTHY  
ACCOMPLISHMENTS**

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

**Conclusion:** Our assessment of SSGIF's internal control structure did not disclose any material weaknesses\*. However, we noted reportable conditions\* related to fund equity and report monitoring (Findings 1 and 2).

Also, our assessment indicated that DMB was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

**Noteworthy Accomplishments:** In the period since OSE and DMB assumed program responsibility for SSGIF, a comprehensive accounting record was established for each of the five group insurance programs. This accounting record will facilitate the development of premium rates that reliably reflect the cost of benefits provided.

**Audit Objective:** To assess SSGIF's compliance with applicable statutes, the *Michigan Administrative Code*, State procedures, and DMB policies and procedures that could have a material effect on the financial statements.

**Conclusion:** Our assessment of SSGIF's compliance with applicable statutes, regulations, policies, and procedures did not disclose any instances of noncompliance that could have a material effect on the financial statements. We have no findings to report for this objective.

**Audit Objective:** To audit SSGIF's financial statements as of and for the fiscal years ended September 30, 1997 and September 30, 1996.

**Conclusion:** We expressed an unqualified opinion on SSGIF's financial statements for the fiscal years ended September 30, 1997 and September 30, 1996. We have no findings to report for this objective.

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**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the State Sponsored Group Insurance Fund for the period October 1, 1995 through September 30, 1997. 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.

Our audit objective for the assessment of the internal control structure included an evaluation of DMB's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

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

Our report includes 2 findings and 2 corresponding recommendations. OSE's and DMB's preliminary response indicated that they agree and will comply with our recommendations.

OSE and DMB had complied with all 4 of the prior audit recommendations.