

EXECUTIVE DIGEST

MICHIGAN JUDGES RETIREMENT SYSTEM

INTRODUCTION

This report contains the results of our financial audit* of the Michigan Judges Retirement System (MJRS), Office of Retirement Systems, Department of Management and Budget, for the period October 1, 1994 through September 30, 1996.

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

MJRS was created by Act 234, P.A. 1992, which consolidated the Michigan Judges and Michigan Probate Judges Retirement Systems. MJRS is a single employer, Statewide public employee retirement plan, created and governed by the State of Michigan to provide retirement, survivor, and disability benefits* to judges in the judicial branch of State government. MJRS also includes the Governor, Lieutenant Governor, Secretary of State, Attorney General, Legislative Auditor General, and the Constitutional Court Administrator. A five-member retirement board oversees MJRS.

MJRS retirement provisions allow members to receive retirement benefits at age 55 with 18 years of credited service, the last 6 continuous, or at age 60 with 8 or more years of credited service. Members may receive retirement benefits at any age with 25 years of service, with the last 6 continuous.

There were 481 people (retirees and beneficiaries) on the pension payroll as of September 30, 1996 and September 30, 1995. The pension payroll for the fiscal years ended September 30, 1996 and September 30, 1995 was approximately \$12.8 million and \$12.3 million, respectively.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

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

Conclusion: Our assessment of the internal control structure did not disclose any material weaknesses* . However, we noted certain reportable conditions* in the areas of pension payroll internal controls and fund balance reconciliations (Findings 1 and 2).

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

Conclusion: Our assessment of MJRS'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 MJRS's financial statements.

Audit Objective: To audit MJRS's financial statements as of and for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed an unqualified opinion on MJRS's financial statements. However, we noted a reportable condition regarding the annual financial report (Finding 3).

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Judges Retirement System for the period October 1, 1994 through September 30, 1996. 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 3 findings and 4 corresponding recommendations. The agency preliminary response indicated that it has either complied with or taken steps to comply with all the recommendations.

MJRS has complied with 3 of the 6 prior audit recommendations. Two of the prior audit recommendations are repeated in this report, and one is no longer applicable.