



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING

RICK SNYDER
GOVERNOR

DAVID B. BEHEN
DIRECTOR

March 7, 2016

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 audit report of the Department of Technology, Management and Budget, Michigan Public School Employees' Retirement System, Schedules of Employer Allocations and Schedule of Collective Pension Amounts.

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

Sincerely,

Signature Redacted

Michael Gilliland, Director
DTMB Financial Services

c: Senator Dave Hildenbrand, Chair, Senate Appropriations
Representative Al Pscholka, Chair, House Appropriations
Mark Freeman, Office of the Auditor General
Jarrod Agen, Executive Office
Dick Posthumus, Executive Office
House Fiscal Agency
Senate Fiscal Agency
Brom Stibitz, DTMB
Phillip Jeffery, DTMB
John Juarez, DTMB
Rick Lowe, SBO
Kerrie Vanden Bosch, DTMB
Anthony Estell, DTMB
Caleb Buhs, DTMB
Matt Sweeney, DTMB

Department of Technology, Management and Budget
Office of Retirement Services (ORS)
Michigan Public School Employees' Retirement System, Schedules of Employer
Allocations and Schedule of Collective Pension Amounts

Summary of Agency Responses to Recommendations

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

Agency Responses to Recommendations

1. Improvements in controls needed to ensure proper allocation of net pension liability.

DTMB agrees with and has complied with the recommendation. As identified by the Office of the Auditor General, the financial errors do not have a material impact and do not represent ORS's current operating environment. This is due to their historical nature, i.e., they occurred over the course of a 19-year period. As of 2007, ORS retained a new actuary and has improved its process for properly accounting for transfers from the budget stabilization subaccount and ensuring the audited financial statement activity is properly accounted for in the valuation. In June of 2015, ORS enhanced its process of accounting for benefit payments with the actuary's preparation of the FY2014 valuation, well before the OAG brought the issue to the department's attention.