



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING



June 18, 2010

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

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, following is a summary table identifying our response and corrective action plan to address the recommendation contained within the Office of the Auditor General's Management Letter for the Michigan State Employees' Retirement System.

Questions regarding the summary table or the corrective action plan should be directed to me at (517) 335-1557.

Sincerely,

Michael R. Gilliland, Director
Financial Services

Attachments

- c: Mitch Bean, House Fiscal Agency
- Bob Burns, DTMB Government Affairs
- Representative George Cushingberry, Chair, House Appropriations
- Laura Hirst, Office of the Auditor General
- Senator Mark Jansen
- Senator Ron Jelinek, Chair, Senate Appropriations
- Nathaniel Lake, Jr., Executive Office
- Rick Lowe, OIAS/GSD
- Phyllis Mellon, Senior Chief Deputy Director, DTMB
- Gary Olson, Senate Fiscal Agency
- Phil Stoddard, DTMB Office of Retirement Services

Michigan State Employees' Retirement System
Office of Retirement Services
Department of Technology, Management and Budget
Summary of Agency Response to Recommendation
Audit Period: 10/1/08 – 9/30/09

1. Audit recommendation the agency complied with:

Not Applicable

2. Audit recommendations the agency agrees with and will comply:

#1 Agrees

3. Audit recommendations the agency disagrees with:

Not Applicable

Michigan State Employees' Retirement System
Office of Retirement Services
Department of Technology, Management and Budget
Final Corrective Action Plan
June 18, 2010

Recommendation #1: Leases Receivable

We recommend that ORS and the Bureau of Investments (BOI) work together to properly account for and report interest and dividends.

We also recommend that ORS and BOI modify their methodology for recording the fair market value of real estate and alternative investment holdings as of the fiscal year-end.

Agency Response:

DMB Financial Services accounting staff met on March 25, 2010, to discuss necessary financial statement changes. DMB Financial Services has also been in contact with BOI on the finding and a meeting is scheduled for May 12, 2010, to ensure proper classification in the financial statements.

DMB Financial Services has been in contact with BOI and a meeting is scheduled on May 12, 2010, to discuss changes to the current BOI methodology. We anticipate that an updated methodology will be drafted by June 30, 2010, and will be in place for 2010 year-end close.