



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET

LANSING

RICK SNYDER  
GOVERNOR

JOHN E. NIXON, CPA  
DIRECTOR

July 23, 2012

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

Dear Mr. Ringler:

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 & Budget, Michigan State Employees' Retirement System (MSERS) Comprehensive Annual Financial Report.

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

Sincerely,

Signature Redacted

Michael R. Gilliland, Director  
Financial Services

Attachment

c: Rep. Chuck Moss, Chair, House Appropriations  
Senator Rodger Kahn, Chair, Senate Appropriations  
Mark Freeman, Office of the Auditor General  
Dennis Muchmore, Executive Office  
Dick Posthumus, Executive Office  
House Fiscal Agency  
Senate Fiscal Agency  
Phillip Jeffery, DTMB  
Rick Lowe, DTMB  
Kurt Weiss, DTMB  
Matt Sweeney, DTMB  
Phil Stoddard, DTMB  
Ron Foss, DTMB

Department of Technology, Management and Budget  
Michigan State Employees' Retirement System (MSERS)  
October 1, 2009 through September 30, 2011

Summary of Agency Responses to Recommendations

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

Agency's plan to address the recommendations:

1. Finding #1 – Controls over Financial Reporting

The Department of Technology, Management & Budget agrees with the recommendation but notes that misclassifications were corrected in the State's accounting records and the published financial statements were accurate. Financial Services will revise existing financial statement preparation and review processes to enhance existing controls for calculating and recording activity related to programs and incentives and update procedures as needed by August 30, 2012.

Regarding items a and b, Existing procedures for financial statement preparation and review processes, are being revised to enhance existing controls, including monthly and/or quarterly reconciliations and an internal year-end closing calendar to identify and correct issues in a timely manner. In addition, communications between the FS and the Office of Retirement Services (ORS), to monitor ERRP payment requests and subsequent receipts, were initiated to ensure all information is captured and recorded appropriately.

Regarding item c, FS, ORS, the Office of Financial Management (OFM), and Treasury's Bureau of Investments (BOI), are collaborating to implement new MAIN accounting processes to separate the Pension and OPEB plans within the MSERS to eliminate the need for any allocations between the columns. In addition, existing procedures for financial statement preparation and review processes will be revised to enhance existing controls for calculating and recording activity related to programs and incentives.