



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING

RICK SNYDER
GOVERNOR

DAVID L. DEVRIES
DIRECTOR

November 30, 2018

Mr. Rick Lowe
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Lowe:

In accordance with the State of Michigan, Financial Management Guide, Part VII, following are 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, Office of Retirement Services, Michigan Military Retirement Provisions.

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

Sincerely,

Mr. Michael Gilliland
Director, Financial Services
Department of Technology, Management and Budget

cc: Executive Office
Representative Laura Cox, Chair, House Fiscal Agency
Senator Dave Hildenbrand, Chair, Senate Fiscal Agency
Dick Posthumus, Executive Office
Darin Ackerman, Executive Office
Mark Freeman, Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
Brom Stibitz, DTMB
Kerrie Vanden Bosch, DTMB
Elisabeth Harrison, DTMB
Caleb Buhs, DTMB
Phillip Jeffery, DTMB
Anthony Estell, DTMB
John Karagoulis, DTMB
John Juarez, DTMB

Department of Technology, Management and Budget
Office of Retirement Services
Michigan Military Retirement Provisions
Fiscal Year Ended September 30, 2017

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

Finding #1: Controls necessary to ensure completeness and accuracy of data provided to the actuary.

DTMB agreed with and remediated the finding. Over the past year, many internal controls have been implemented to address control deficiencies noted in the finding. ORS has a process in place to validate the service credit reported by the Michigan National Guard (MiNG) to ensure federal and other state time is not included in the reported service credit. In addition, ORS has also established better communications with its actuary to ensure a common understanding of the benefits provisions and the vesting rules are applied appropriately. These controls were effective in producing the September 30, 2017 MMRP actuarial valuation without repeating the errors that were noted in the finding.

ORS has worked tirelessly to establish an internal control to obtain demographic and service record data for inactive members of the Michigan Air National Guard. The MiNG has informed ORS that they are prohibited from maintaining this information at their Michigan headquarters. When a member of the MiNG terminates service, the MiNG has a finite amount of time to transfer their service records to the National Personnel Records Center. ORS has taken every step outlined by the MiNG to obtain this data directly from the federal government including filing a legal justification and enlisting the support of senior DTMB officials, however, the federal government has rejected our request. ORS will explore filing a request for a new interpretation of the governing regulation which has heretofore prevented the release of the deferred Air Guard data. In the absence of actual data, the actuary will continue estimating the number of inactive deferred MiNG members in the calculation of the total pension liability so that it will not be understated. The timeline for remediating this portion of the finding is dependent upon the federal government's approval of our requests.