

CHRISTINE HAMMOND
DIRECTOR



TEL. NO: (517) 373-0575
FAX NO: (517) 373-5639
TOLL FREE: (877) 577-5628
EMAIL: chammon@house.mi.gov

STATE OF MICHIGAN
LEGISLATIVE RETIREMENT SYSTEM

P.O. BOX 30014
LANSING, MICHIGAN
48909-7514

February 9, 2023

Mr. Richard Lowe
Chief Internal Auditor
State Budget Office
Office of Internal Audit Services
111 S Capitol Ave
7th Floor, Romney Building
Lansing MI 48933

Dear Mr. Lowe,

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is the final corrective action plan to address recommendations contained within the Office of the Auditor General Report on Internal Control, Compliance, and Other Matters Report (#900-0140-22) for the Michigan Legislative Retirement System (MLRS).

You may contact me if there are questions regarding the corrective action plan.

Very truly yours,


Christine Hammond, Director
Legislative Retirement System

CH/ch
Enc.

Michigan Legislative Retirement System
Report On Internal Control, Compliance, and
Other Matters Report – #900-0140-22
Office of the Auditor General
Report Date: May 2022

Final Corrective Action Plan

Summary Response Matrix

	Complied	Will Comply	Partially Complied	Will Not Comply
Agrees				
Partially Agrees			1	
Disagrees				

Final Corrective Action Plan

Finding Number: 1

Finding Title: “Improvements needed in Internal Control over monitoring compliance”

Department Response

Management Views: Partially Agree/Partially Disagree. See attached Exhibit 1.

Anticipated Compliance Date: Legal research and analysis is on-going to clarify statutory international investment limitations. In addition, possible automated investment monitoring processes with outside entities and other state agencies is also on-going.* **ESTIMATED** compliance date is January 31, 2024.

*Which may or may not be necessary, depending on final interpretation of statutory international investment limitations.

Responsible Individual: Christine Hammond, Director

CH/February 9, 2023

EXHIBIT 1

Michigan Legislative Retirement System
Report On Internal Control, Compliance, and
Other Matters Report -- #900-0140-22
Office of the Auditor General
Report Date: May 2022

Preliminary Corrective Action Plan

Summary Response Matrix

	Complied	Will Comply	Partially Complied	Will Not Comply
Agrees				
Partially Agrees			1	
Disagrees				

Preliminary Corrective Action Plan (PCAP)

Finding Number: 1

Finding Title: "Improvements needed in Internal Control over monitoring compliance"

Department Response

Management Views: Partially Agree (Partially Disagree)

Planned Corrective Action and Milestones: See attached Appendix A.

Anticipated Compliance Date: Uncertain; ongoing research and possible automated processes with outside entities and other state agencies whose timelines the LRS does not control.

Responsible Individual: Christine Hammond, Director

Appendix A

OAG Recommendation: OAG recommends that MLRS document the system's compliance with the investment limitations specified by the Act. (OAG Report #900-0140-22; Pages 13-14)

LRS Preliminary Actions:

1. The LRS has documented, currently documents, and will document compliance with the investment limitations in Act 314 each quarter through the asset allocation review in the portfolio's quarterly performance report through FEG Investment Advisors (Example attached as Exhibit 1).
2. The LRS has contacted persons within the Department of Treasury to determine LRS possible accessibility to computerized regular processes to check against Act 314 limitations that take place for the other state system portfolios that Treasury manages for the state. The LRS has received no response after several LRS informational explorations; therefore, see #3 below.
3. The LRS has begun preliminary work with legal counsel* to draft a written policy and establish a process that (a) delineates specific Act 314 limitations, and (b) processes quarterly/6-month investment limitations legal reviews (in conjunction with financial reviews that take place quarterly).

OAG Recommendation: The OAG also recommends that the MLRS seek clarification regarding the Act 314 definition of global security, the allowable legal limit of international investments, and seek amendatory legislation if needed.