



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit

Report Number:
071-0156-12

State of Michigan 401K Plan

October 1, 2009 through September 30, 2011

Released:
June 2012

A financial audit determines if the financial statements are fairly presented; considers internal control over financial reporting; and determines compliance with requirements material to the financial statements. This financial audit of the State of Michigan 401K Plan was conducted as part of the constitutional responsibility of the Office of the Auditor General.

Financial Statements:

Auditor's Report Issued

We issued an unqualified opinion on the State of Michigan 401K Plan's basic financial statements.

~ ~ ~ ~ ~

Internal Control Over Financial Reporting

We identified a material weakness in internal control over financial reporting (Finding 1).

The Office of Retirement Services (ORS) and Financial Services' internal control over financial reporting did not ensure that it would prevent, or detect and correct, financial statement misstatements and misclassifications in a timely manner. As a result, we identified several financial statement errors during our audit that, when brought to Financial Services' attention, were substantially corrected (Finding 1).

~ ~ ~ ~ ~

Noncompliance and Other Matters Material to the Financial Statements

We did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under *Government Auditing Standards*.

~ ~ ~ ~ ~

Agency Response:

Our audit report includes 1 finding and 1 corresponding recommendation. The Department of Technology, Management, and Budget's preliminary response indicates that it agrees with the recommendation.

~ ~ ~ ~ ~

Background:

The State of Michigan 401K Plan is a deferred compensation fund and a defined contribution retirement fund sponsored by the State of Michigan. The Plan was established by the Civil Service Commission in 1985 as a 401(k) plan

and amended in March 1997 to implement a defined contribution retirement component as a means for all employees to build funds for retirement. All employees of the State become eligible to participate in the Plan on the first day of employment and may voluntarily contribute a portion of their compensation up to the established Internal Revenue Code limits. The Plan was amended by Act 75, P.A. 2010, to include qualifying members of the Michigan Public School Employees' Retirement System hired on or after July 1, 2010 as participants in the Plan.

The Plan provides for the State of Michigan to make a mandatory contribution of 4.0 percent and matching contributions up to a maximum of 3.0 percent of each participant's compensation for employees not covered by the State's defined benefit pension plans. Participants are 100 percent vested in their salary deferrals at all times and vest in the employer contributions based on years of service.

There is also a State of Michigan 457 Plan, which is a deferred compensation fund sponsored by the State of Michigan. State employees are eligible to participate in either or both of these plans. Employee contributions for qualifying members of the Michigan Public School Employees' Retirement System hired on or after July 1, 2010 are reported in the 457 Plan. The State of Michigan 457 Plan annual financial report is issued separately.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General