



Michigan
Office of the Auditor General
REPORT SUMMARY

Management Letter

Report Number:
 071-0156-10M

State of Michigan 401K Plan

October 1, 2008 through September 30, 2009

Released:
 February 2010

The management letter is used to report significant deficiencies in internal control over financial reporting and other matters that come to the auditor's attention during the completion of the financial audit conducted in accordance with generally accepted government auditing standards. This management letter is being issued in conjunction with our financial audit of the State of Michigan 401K Plan, a pension (and other employee benefit) trust fund of the State of Michigan.

Financial Statements:

Auditor's Report Issued

We have audited the financial statements of the State of Michigan 401K Plan as of and for the fiscal year ended September 30, 2009 and have issued a separate report thereon dated December 22, 2009. We issued an unqualified opinion on the State of Michigan 401K Plan financial statements.

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Internal Control Over Financial Reporting

We identified a significant deficiency in internal control over financial reporting (Finding 1). We do not consider this significant deficiency to be a material weakness.

The Office of Retirement Services, Department of Management and Budget (DMB), and DMB Financial Services need to improve their financial monitoring of the third party administrator for the State of Michigan 401K Plan to ensure the

completeness and accuracy of the Plan's financial records (Finding 1).

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**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*.

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Agency Response:

Our management letter includes 1 finding and 1 corresponding recommendation. The Office of Retirement Services and DMB Financial Services' preliminary response indicated that they agree with the finding.

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Background:

The State of Michigan 401K Plan is a pension (and other employee benefit) trust fund of the State of Michigan. The Plan

was established by the Civil Service Commission in 1985 as a 401k plan and amended in March 1997 to implement a defined contribution component as a means for all employees to build funds for retirement. All employees of the State are 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 Service limits.

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 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 pension (and other employee benefit) trust fund of the State of Michigan. State employees are eligible to participate in either or both of these plans. We issued a separate audit report on the State of Michigan 457 Plan financial statements.

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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>



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