



Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

*Financial Audit*

Report Number:  
071-0156-13

*State of Michigan 401K Plan*

*Fiscal Years Ended September 30, 2012 and  
September 30, 2011*

Released:  
May 2013

*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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we did identify significant deficiencies (Findings 1 and 2).

The Office of Retirement Services (ORS) and Financial Services, within the Department of Technology, Management, and Budget (DTMB), did not have sufficient controls to ensure that they properly recorded the State of Michigan 401K Plan's financial activity (Finding 1).

ORS and Financial Services did not adhere to established deadlines to ensure

that they recorded the State of Michigan 401K Plan's financial activity and prepared drafts of the Plan's statements and notes timely (Finding 2).

~ ~ ~ ~ ~

**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*. However, we noted an instance of other noncompliance (Finding 2).

~ ~ ~ ~ ~

**Agency Response:**

Our audit report includes 2 findings and 2 corresponding recommendations. DTMB's preliminary response indicates that it agrees with the recommendations.

~ ~ ~ ~ ~

**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) deferred compensation plan and amended in March 1997 to implement a defined contribution retirement fund as a means for employees to save for retirement.

The Plan covers employees of the State of Michigan, employees of the Michigan public school reporting units hired on or after July 1, 2010, and employees of the Education Achievement Authority. 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 provides for the State to make a mandatory contribution of 4.0% and matching contributions up to a maximum of 3.0% of each participant's compensation for employees not covered by the State's defined benefit pension plans.

In addition, the Plan provides for public school reporting units to make a mandatory contribution of 50% of eligible participants' voluntary contributions up to 1%. The Plan also provides for the Education Achievement Authority to make a mandatory contribution of 100% of participants' voluntary contributions up to 7.5%.

Finally, the Plan provides for the Personal Healthcare Fund for State employees hired on or after January 1, 2012 to account for an employer match of up to 2% of compensation. State of Michigan employees hired prior to January 1, 2012 and who opted out of the graded premium benefit receive an employer match of up to 2% of future compensation plus a monetized amount for existing years of service upon terminating employment.

Participants are 100% vested in their contributions and related earnings or losses at all times and vest in the employer contributions and related earnings or losses based on years of service.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

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