



# MICHIGAN

OFFICE OF THE AUDITOR GENERAL

## AUDIT REPORT



THOMAS H. McTAVISH, C.P.A.  
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

Audit report information can be accessed at:

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

*Financial Audit*

Report Number:  
271-0265-09

*Emergency 9-1-1 Fund*

*Michigan Department of State Police and  
Department of Treasury*

*October 1, 2006 through September 30, 2008*

Released:  
February 2010

*A financial audit determines if the financial schedules are fairly presented; considers internal control over financial reporting; and determines compliance with requirements material to the financial schedules. This financial audit of the Emergency 9-1-1 Fund was required by Act 32, P.A. 1986, as amended.*

**Financial Schedules:**

**Auditor's Report Issued**

We issued an unqualified opinion on the Emergency 9-1-1 Fund's financial schedules.

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**Internal Control Over Financial Reporting**

We identified significant deficiencies in internal control over financial reporting (Findings 1 and 2). We consider Finding 1.a. to be a material weakness.

The Michigan Department of State Police (MSP) and Department of Treasury internal control procedures did not ensure the proper recording of revenue and expenditures (Finding 1).

MSP and the Department of Treasury should develop additional procedures for the collection of 9-1-1 service charges. In addition, MSP and the Department of Treasury should continue to request statutory changes related to the collection

of 9-1-1 service charges from service suppliers. (Finding 2)

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**Noncompliance and Other Matters  
Material to the Financial Schedules**

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

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**Background:**

The Fund was created in 1999 to provide funding to implement Act 32, P.A. 1986, as amended, known as the Emergency 9-1-1 Service Enabling Act, and to implement the Federal Communications Commission's (FCC's) wireless emergency service order. The wireless emergency service order provides for enhanced 9-1-1 service to identify the location and telephone number of a mobile telephone caller. As of May 2008, all Michigan

counties were compliant with the FCC's wireless emergency service order. Legislation revised the Act in fiscal year 2007-08 to provide for the ongoing costs of operating, maintaining, upgrading, and other reasonable and necessary expenditures for Michigan's 9-1-1 system. These costs are supported by 9-1-1 service charges collected by service suppliers from service users and remitted to the Emergency 9-1-1 Fund or directly to counties.

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**Agency Response:**

Our audit report contains 2 findings and 3 corresponding recommendations. MSP's and the Department of Treasury's preliminary responses indicate that they agree with the recommendations.

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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>



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



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

February 4, 2010

Sheriff Dale R. Gribler, Chair  
Emergency 9-1-1 Service Committee  
and  
Colonel Peter C. Munoz, Director  
Michigan Department of State Police  
714 South Harrison Road  
East Lansing, Michigan

Mr. Robert J. Kleine  
State Treasurer  
Richard H. Austin Building  
Lansing, Michigan

Dear Sheriff Gribler, Colonel Munoz, and Mr. Kleine:

This is our report on the financial audit of the Emergency 9-1-1 Fund, Michigan Department of State Police and Department of Treasury, for the period October 1, 2006 through September 30, 2008.

This report contains our report summary, our independent auditor's report on the financial schedules, and the Emergency 9-1-1 Fund's financial schedules and supplemental financial schedule. This report also contains our independent auditor's report on internal control over financial reporting and on compliance and other matters; our findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the Michigan Department of State Police's and Department of Treasury's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agencies develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL



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INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL SCHEDULES



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on the Financial Schedules

Sheriff Dale R. Gribler, Chair  
Emergency 9-1-1 Service Committee  
and  
Colonel Peter C. Munoz, Director  
Michigan Department of State Police  
714 South Harrison Road  
East Lansing, Michigan

Mr. Robert J. Kleine  
State Treasurer  
Richard H. Austin Building  
Lansing, Michigan

Dear Sheriff Gribler, Colonel Munoz, and Mr. Kleine:

We have audited the accompanying financial schedules of the Emergency 9-1-1 Fund, Michigan Department of State Police and Department of Treasury, for the fiscal years ended September 30, 2008 and September 30, 2007, as identified in the table of contents. These financial schedules are the responsibility of the Fund's management and the Departments' management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial schedules present only the revenues and the sources and disposition of authorizations for the Emergency 9-1-1 Fund's accounts, presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Emergency 9-1-1 Fund or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and the sources and disposition of authorizations of the Emergency 9-1-1 Fund for the fiscal years ended September 30, 2008 and September 30, 2007 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2010 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The schedule of restricted revenues - not authorized or used is presented for purposes of additional analysis and is not a required part of the Fund's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

AUDITOR GENERAL

January 7, 2010

EMERGENCY 9-1-1 FUND  
Michigan Department of State Police and Department of Treasury  
Schedule of Revenues  
Fiscal Years Ended September 30

	2008	2007
REVENUES		
Tax revenue (Note 2):		
9-1-1 service charge	\$ 23,043,260	\$ 20,829,219
Miscellaneous revenues:		
Common cash earnings - Nonoperating	793,918	910,597
Refund of prior year expenditure	56,731	51,063
Total revenues	\$ 23,893,909	\$ 21,790,879

The accompanying notes are an integral part of the financial schedules.

EMERGENCY 9-1-1 FUND  
Michigan Department of State Police and Department of Treasury  
Schedule of Sources and Disposition of Authorizations  
Fiscal Years Ended September 30

	2008	2007
<b>SOURCES OF AUTHORIZATIONS (Note 3)</b>		
Balances carried forward	\$ 21,407,057	\$ 21,387,186
Restricted financing sources	23,893,909	21,790,879
Total	\$ 45,300,966	\$ 43,178,065
<b>DISPOSITION OF AUTHORIZATIONS (Note 3)</b>		
Expenditures:		
Local exchange providers and service suppliers	\$ 1,502,115	\$ 1,188,454
Counties - Equal distributions	7,814,071	7,220,461
Counties - Per capita distributions	11,723,672	10,832,980
Public safety answering points - Training	1,157,184	1,065,105
State police administration	416,729	1,464,008
Total expenditures	\$ 22,613,771	\$ 21,771,008
Balances carried forward:		
Restricted revenues - not authorized or used	22,687,195	21,407,057
Total	\$ 45,300,966	\$ 43,178,065

The accompanying notes are an integral part of the financial schedules.

## Notes to the Financial Schedules

### Note 1 Significant Accounting Policies

#### a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Emergency 9-1-1 Fund (formerly the Commercial Mobile Radio Service\* Emergency Telephone Fund), administered by the Michigan Department of State Police (MSP) and Department of Treasury, for the fiscal years ended September 30, 2008 and September 30, 2007. The financial transactions of the Fund are accounted for in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to the Emergency 9-1-1 Fund. The *SOMCAFR* provides more extensive disclosures regarding the State's significant accounting policies; budgeting, budgetary control, and legal compliance; pension benefits; and other postemployment benefits.

The Fund was created in 1999 to provide funding to implement Act 32, P.A. 1986, as amended, known as the Emergency 9-1-1 Service Enabling Act, and to implement the Federal Communications Commission's (FCC's) wireless emergency service order. The wireless emergency service order provides for enhanced 9-1-1 service to identify the location and telephone number of a mobile telephone caller. As of May 2008, all Michigan counties were compliant with the FCC's wireless emergency service order. Legislation revised the Act in fiscal year 2007-08 to assist with the ongoing costs of operating, maintaining, upgrading, and other reasonable and necessary expenditures for Michigan's 9-1-1 system\*.

The Act requires 9-1-1 service charges to be collected by service suppliers\* from service users\* and remitted to the Emergency 9-1-1 Fund. The Act was revised in fiscal year 2007-08 to expand the 9-1-1 service

\* See glossary at end of report for definition.

charges to service users of all communication devices, which generally include local telephone, cellular telephone, wireless communication, and interconnected voice over Internet devices that can access emergency services by dialing 9-1-1.

The Act established the Emergency 9-1-1 Service Committee (formerly the Emergency Telephone Service Committee) within MSP to provide oversight, including developing Statewide standards, determining county and public safety answering point\* (PSAP) eligibility for funding, notifying service suppliers of 9-1-1 service charges, recommending changes in 9-1-1 service charges and distribution percentages, and collecting and reporting data to the Legislature. The Department of Treasury collects the 9-1-1 service charges and expends the funds as required in the Act. The Act is repealed effective December 31, 2014.

b. Measurement Focus, Basis of Accounting, and Presentation

The financial schedules contained in this report are presented using the current financial resources measurement focus and the modified accrual basis of accounting, as provided by accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred; however, certain expenditures related to long-term obligations are recorded only when payment is due and payable.

The accompanying financial schedules present only the revenues and the sources and disposition of authorizations for the Emergency 9-1-1 Fund's accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Fund or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

\* See glossary at end of report for definition.

Note 2 Schedule of Revenues

Effective July 1, 2008, Act 32, P.A. 1986, as amended, replaced the monthly 9-1-1 service charge of \$0.29 on contractual cellular telephone subscribers with a \$0.19 monthly 9-1-1 service charge on all communication devices, including local telephone, contractual and prepaid cellular telephones, wireless communication, and interconnected voice over Internet devices. The monthly 9-1-1 service charges are collected from service users by service suppliers and remitted to the Emergency 9-1-1 Fund. In addition, the Act allows counties to assess a county 9-1-1 service charge collected by the service suppliers and paid directly to the counties except for prepaid cellular telephone customers, whose weighted county 9-1-1 service charge is paid to the Emergency 9-1-1 Fund. The 9-1-1 service charges remitted to the Emergency 9-1-1 Fund are distributed to the entities identified in Note 3c.

Note 3 Schedule of Sources and Disposition of Authorizations

The various elements of the schedule of sources and disposition of authorizations are defined as follows:

- a. Balances carried forward: Restricted revenues - not authorized or used that were not spent as of the end of the prior fiscal year. Annual legislative appropriation is required to authorize the expenditure of the restricted revenues received before fiscal year 2007-08.
- b. Restricted financing sources: Collections of restricted revenues used to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount of revenue recorded. Any amounts not expended at year-end are carried forward to the next fiscal year as restricted revenues - not authorized or used.
- c. Expenditures: Act 32, P.A. 1986, as amended, provides for the revenue collected in the Emergency 9-1-1 Fund to be distributed to local exchange providers\* (LEPs) (7.75%), counties on an equal basis (40% of 82.5%), counties on a per capita basis (60% of 82.5%), PSAPs (6.0%), MSP

\* See glossary at end of report for definition.

regional dispatch center (1.88%), and MSP administration and 9-1-1 coordinator (1.87%):

- (1) Local exchange providers and service suppliers: These expenditures are reimbursement of costs incurred by service suppliers and LEPs for providing and installing equipment that implements the wireless emergency service order.
  - (2) Counties - Equal distributions: These expenditures are each county's share of the 9-1-1 service charges collected by the Department of Treasury and distributed on an equal basis to counties that have a final 9-1-1 plan\* in place. The counties then distribute the funds to the PSAPs within their service district to operate Michigan's 9-1-1 system.
  - (3) Counties - Per capita distributions: These expenditures are each county's share of the 9-1-1 service charges collected by the Department of Treasury and distributed based on the county populations to counties that have a final 9-1-1 plan in place. The counties then distribute the funds to the PSAPs within their service district to operate Michigan's 9-1-1 system.
  - (4) Public safety answering points - Training: These expenditures are payments to PSAPs for training personnel assigned to 9-1-1 centers. The submission of a request for funds and approval by the Emergency 9-1-1 Service Committee are required before funds can be distributed to the PSAPs.
  - (5) State police administration: These expenditures are costs incurred by MSP to administer the Act, maintain the office of the State 9-1-1 coordinator, and operate a regional dispatch center.
- d. Restricted revenues - not authorized or used: Revenues that, by statute (Act 32, P.A. 1986, as amended), are restricted for use to a particular

\* See glossary at end of report for definition.

program or activity. See the supplemental schedule of restricted revenues - not authorized or used for more details on program or activity restrictions.

Note 4 Financial Schedule Presentation

The Department of Treasury requested and received approval from the Office of Financial Management, Department of Management and Budget, to present the Emergency 9-1-1 Fund financial schedules differently than the presentation in the *SOMCAFR*. The differences include an increase in 9-1-1 service charge revenue for an account receivable of \$1.2 million and related expenditures of \$1.0 million and balances carried forward of \$0.2 million that should have been recorded in fiscal year 2007-08 but were recorded in fiscal year 2008-09. In addition, \$0.5 million in 9-1-1 service charge revenue allocated for a feasibility study should have been recorded in fiscal year 2007-08 but was recorded in fiscal year 2008-09.

SUPPLEMENTAL FINANCIAL  
SCHEDULE

EMERGENCY 9-1-1 FUND  
Michigan Department of State Police and Department of Treasury  
Schedule of Restricted Revenues - Not Authorized or Used  
Fiscal Years Ended September 30

	2008	2007
<b>RESTRICTED REVENUES - NOT AUTHORIZED OR USED</b>		
Restricted for use as follows:		
Local exchange providers and service suppliers	\$ 19,606,327	\$ 19,226,134
Counties - Equal distributions		151,264
Counties - Per capita distributions		226,896
Public safety answering points - Training	1,461,040	1,147,536
State police administration operations	631,330	304,715
State police administration of the 9-1-1 Office and Feasibility Study	988,499	350,512
Total restricted revenues - Not authorized or used	\$ 22,687,195	\$ 21,407,057

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL AND COMPLIANCE



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters

Sheriff Dale R. Gribler, Chair  
Emergency 9-1-1 Service Committee  
and  
Colonel Peter C. Munoz, Director  
Michigan Department of State Police  
714 South Harrison Road  
East Lansing, Michigan

Mr. Robert J. Kleine  
State Treasurer  
Richard H. Austin Building  
Lansing, Michigan

Dear Sheriff Gribler, Colonel Munoz, and Mr. Kleine:

We have audited the financial schedules of the Emergency 9-1-1 Fund, Michigan Department of State Police and Department of Treasury, for the fiscal years ended September 30, 2008 and September 30, 2007, as identified in the table of contents, and have issued our report thereon dated January 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the next paragraph, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to

initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial schedules that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Findings 1 and 2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies identified in the third paragraph of this section, we consider Finding 1.a. to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The agency preliminary responses to the findings identified in our audit are included in the body of our report. We did not audit the agency preliminary responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governor, the Legislature, the Emergency 9-1-1 Service Committee, the Michigan Department of State Police and Department of Treasury, and others within the Fund's management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

January 7, 2010

**FINDINGS, RECOMMENDATIONS,  
AND AGENCY PRELIMINARY RESPONSES**

## **FINDING**

### **1. Accounting and Reporting Procedures**

The Michigan Department of State Police (MSP) and Department of Treasury internal control procedures did not ensure the proper recording of revenue and expenditures. As a result, \$1.7 million in revenue and \$1.2 million in expenditures were inaccurately recorded in the accounting records. The Department of Treasury corrected material amounts in the financial schedules upon our request and obtained a waiver from the Office of Financial Management, Department of Management and Budget, to present the amounts correctly in the financial schedules.

Section 18.1485 of the *Michigan Compiled Laws* requires each department to establish and maintain an internal accounting and administrative control system, including procedures to control revenues and expenditures.

MSP and the Department of Treasury share responsibilities for the Emergency 9-1-1 Fund. MSP provides oversight through the Emergency 9-1-1 Service Committee and the 9-1-1 State Administrator. The Department of Treasury collects and distributes the 9-1-1 service charges, maintains the database of 9-1-1 service charges, and prepares the financial schedules. Our review of MSP's and the Department of Treasury's processes related to revenue and expenditure transactions of the Emergency 9-1-1 Fund disclosed:

- a. The Department of Treasury's methodology for establishing accounts receivable and revenue did not identify a significant transaction for \$1.2 million in fiscal year 2007-08. In addition, a related account payable and expenditure of \$1.0 million for distribution to counties and \$0.2 million of balances carried forward should also have been recorded in fiscal year 2007-08. The Department of Treasury established accounts receivable based on the revenue recorded in the Emergency 9-1-1 Fund for the 9-1-1 service charges remitted to the Department of Treasury during October and November 2008 for the 9-1-1 service charges collected by service suppliers in July, August, and September 2008. The Department of Treasury received and deposited a payment for \$1.2 million in October 2008; however, because the payment did not identify that it was for 9-1-1 service charges, it was not recorded in the Emergency 9-1-1 Fund until December 2008. The Department of Treasury

adjusted the fiscal year 2007-08 financial schedules for the \$1.2 million of 9-1-1 service charges. We believe this is a material weakness.

- b. MSP incorrectly recorded \$500,000 of 9-1-1 service charges collected from service suppliers and allocated to conduct a feasibility study as a deferred revenue liability for fiscal year 2007-08. The 9-1-1 service charges met the recognition criteria established in accounting standards to be recorded as revenue. The Department of Treasury adjusted the fiscal year 2007-08 financial schedules for the \$500,000 of 9-1-1 service charges.
- c. The MSP Emergency 9-1-1 Service Committee approved and the Department of Treasury processed a duplicate payment for a local exchange provider (LEP) of \$168,485. There are only two LEPs and each invoice was the same amount and used the same invoice number for each monthly or quarterly period. Therefore, it is difficult to distinguish one invoice from another, which may have contributed to the duplicate payment. The Department of Treasury should establish controls to prevent duplicate payments.

### **RECOMMENDATION**

We recommend that MSP and the Department of Treasury develop additional internal control procedures to ensure the proper recording of revenue and expenditures.

### **AGENCY PRELIMINARY RESPONSE**

MSP and the Department of Treasury informed us that they agree with the recommendation and will take, or have taken, the following actions:

- a. The Department of Treasury informed us that it has held internal meetings and has begun work on a process to review 9-1-1 revenue deposits for accuracy to ensure appropriate recording.
- b. MSP informed us that it will develop a procedure to verify the source and recording of revenue.
- c. MSP and the Department of Treasury informed us that in 2008, the invoice approval process was changed by statute to be performed by the Michigan Public Service Commission and not the MSP Emergency 9-1-1 Service

Committee. The Department of Treasury informed us that it will work with the Michigan Public Service Commission to develop additional procedures to prevent duplicate payments.

## **FINDING**

### 2. Revenue Collection

MSP and the Department of Treasury should develop additional procedures for the collection of 9-1-1 service charges. Current procedures do not provide sufficient assurance that all 9-1-1 service charges have been collected. In addition, MSP and the Department of Treasury should continue to request statutory changes related to the collection of 9-1-1 service charges from service suppliers.

Section 18.1485 of the *Michigan Compiled Laws* requires each department to establish and maintain an internal accounting and administrative control system, including procedures to control revenues.

Act 32, P.A. 1986, was amended, effective July 1, 2008, to expand the users from contractual cellular telephone subscribers to also include landline telephone users, prepaid cellular telephone users, and voice over Internet users. The 9-1-1 service charges are collected from these users by service suppliers, then remitted to the Department of Treasury for deposit into the Emergency 9-1-1 Fund. The change in legislation expanded the number of service suppliers remitting charges from 45 companies to 149 companies. MSP has identified potential service suppliers; however, MSP and the Department of Treasury have not determined which potential service suppliers are providing services in Michigan and should be remitting 9-1-1 service charges.

The Department of Treasury informed us that changes may be needed to legislative statutes to assist MSP and the Department of Treasury in their collection efforts. Our public report does not disclose specific details about the needed changes in legislation because it may disclose sensitive information related to collection efforts. We have separately communicated the information to MSP and the Department of Treasury's management in accordance with generally accepted government auditing standards.

MSP and the Department of Treasury had implemented some initial procedures to collect unpaid or inaccurate 9-1-1 service charges and suggested changes to legislation. However, additional procedures and statutory changes are needed to help ensure that all revenue is collected.

### **RECOMMENDATIONS**

We recommend that MSP and the Department of Treasury develop additional procedures for the collection of 9-1-1 service charges.

We also recommend that MSP and the Department of Treasury continue to request statutory changes related to the collection of 9-1-1 service charges from service suppliers.

### **AGENCY PRELIMINARY RESPONSE**

MSP and the Department of Treasury informed us that they agree with the recommendations and will develop additional procedures for the collection of 9-1-1 service charges. They also informed us that preliminary discussions have occurred to determine ways that could enhance the verification of revenue collections. In addition, MSP and the Department of Treasury will continue to request statutory changes related to the collection of 9-1-1 service charges from service suppliers.

# GLOSSARY

## Glossary of Acronyms and Terms

9-1-1 system	A system for providing a 9-1-1 service, which allows service users to reach a PSAP by dialing 9-1-1.
commercial mobile radio service (CMRS)	Certain communications services and equipment regulated by the FCC. CMRS includes wireless two-way communications devices, including cellular telephones, radio telecommunications lines used in providing cellular telephone services, and network radio access lines.
communications service	A service capable of accessing, connecting with, or interfacing with a 9-1-1 system, exclusively through the numerals 9-1-1, by dialing, initializing, or otherwise activating the 9-1-1 system through the numerals 9-1-1 by means of a local telephone device, cellular telephone device, wireless communication device, interconnected voice over the Internet device, or any other means.
control deficiency in internal control over financial reporting	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
FCC	Federal Communications Commission.
final 9-1-1 plan	A plan prepared by one or more counties for implementing a 9-1-1 system in a specified 9-1-1 service district with final modifications, if necessary, from the tentative 9-1-1 plan.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are presented fairly in all material respects in conformity with the disclosed basis of accounting.

internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
local exchange provider (LEP)	A provider of basic local exchange service, which means the provision of an access line and usage within a local calling area for the transmission of high quality two-way interactive switched voice or data communication.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the changes in financial position or cash flows in conformity with the disclosed basis of accounting.
material weakness in internal control over financial reporting	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules and/or financial statements will not be prevented or detected.
MSP	Michigan Department of State Police.
public safety answering point (PSAP)	A communications facility operated on a 24-hour basis assigned the responsibility by a public agency or county to receive 9-1-1 calls and to dispatch public safety response services.
service supplier	An individual, corporation, partnership, association, governmental entity, or any other legal entity providing a communications service to a service user in this State.

service user	An individual, corporation, partnership, association, governmental entity, or any other legal entity receiving a communications service (such as local telephone service or cellular telephone service).
significant deficiency in internal control over financial reporting	A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial schedules and/or financial statements that is more than inconsequential will not be prevented or detected.
<i>SOMCAFR</i>	<i>State of Michigan Comprehensive Annual Financial Report.</i>
unqualified opinion	<p>An auditor's opinion in which the auditor states that:</p> <ul style="list-style-type: none"> <li>a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or</li> <li>b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules and/or financial statements to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules and/or financial statements taken by themselves.</li> </ul>







