



# 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:

*<http://audgen.michigan.gov>*



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

**Financial Audit**

*Including the Provisions of the Single Audit Act*

Report Number:  
551-0100-12

**Michigan Department of State Police**

*October 1, 2009 through September 30, 2011*

Released:  
June 2012

*A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.*

**Financial Schedules:**

**Auditor's Report Issued**

We issued an unqualified opinion on the Michigan Department of State Police's (MSP's) financial schedules.

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**Internal Control Over Financial Reporting**

We did not report any findings related to internal control over financial reporting.

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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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**Federal Awards:**

**Auditor's Reports Issued on Compliance**

We audited 8 programs (including 2 ARRA related programs) as major programs. MSP expended and distributed \$212.9 million in federal awards, including \$37.5 million in ARRA funding, during the two-year period

ended September 30, 2011. We issued 8 unqualified opinions. The opinions issued by major program are identified on the back of this summary.

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**Internal Control Over Major Programs**

We did not identify any deficiencies in internal control over federal program compliance that we consider to be material weaknesses. However, we did identify significant deficiencies (Findings 1 through 5).

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**Required Reporting of Noncompliance**

We identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 (Findings 1 through 5).

~ ~ ~ ~ ~

**Internal Accounting and Administrative Control System:**

Section 18.1489 of the *Michigan Compiled Laws* requires the Auditor General to evaluate the implementation of Sections

18.1483 - 18.1488 of the *Michigan Compiled Laws* and report to the Legislature in the financial audit of each department. As a result of Executive Reorganization Order No. 2007-31 (Consolidating Internal Audit Functions), in which responsibility for most of the sections was moved to the Office of Internal Audit Services, State Budget Office, we have evaluated the implementation of only Section 18.1485 in this financial audit. Section 18.1485 requires each department director to establish an internal accounting and administrative control system, defines the elements of that system, defines the duties of the department director, and

provides for certain reports. We determined that MSP was in substantial compliance with Section 18.1485 of the *Michigan Compiled Laws*.

The remaining sections (Sections 18.1483, 18.1484, and 18.1486 - 18.1488 of the *Michigan Compiled Laws*) will be evaluated and reported on in the performance audit of the Office of Internal Audit Services, State Budget Office.

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We audited the following programs as major programs:

<u>CFDA Number</u>	<u>Program or Cluster Title</u>	<u>Compliance Opinion</u>
11.555	Public Safety Interoperable Communications Grant Program	Unqualified
	<u>JAG Program Cluster:</u>	Unqualified
16.738	<ul style="list-style-type: none"> <li>Edward Byrne Memorial Justice Assistance Grant Program</li> </ul>	
16.803	<ul style="list-style-type: none"> <li>ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories</li> </ul>	
16.741	Forensic DNA Backlog Reduction Program	Unqualified
16.810	ARRA - Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	Unqualified
20.218	National Motor Carrier Safety	Unqualified
97.042	Emergency Management Performance Grants	Unqualified
97.067	Homeland Security Grant Cluster	Unqualified
97.078	Buffer Zone Protection Program (BZPP)	Unqualified

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



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

June 19, 2012

Colonel Kriste Kibbey Etue, Director  
Michigan Department of State Police  
333 South Grand Avenue  
Lansing, Michigan

Dear Colonel Etue:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Michigan Department of State Police (MSP) for the period October 1, 2009 through September 30, 2011.

This report contains our report summary, our independent auditor's report on the financial schedules, and the MSP financial schedules and schedule of expenditures of federal awards. This report also contains our independent auditor's report on internal control over financial reporting and on compliance and other matters, our independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133, and our schedule of findings and questioned costs. In addition, this report contains MSP's summary schedule of prior audit findings, its corrective action plan, and a glossary of acronyms and terms.

Our findings and recommendations are contained in Section III of the schedule of findings and questioned costs. The agency preliminary responses are contained in the corrective action plan. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

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

Sincerely,

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



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# INDEPENDENT AUDITOR'S REPORT AND FINANCIAL SCHEDULES



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

## Independent Auditor's Report on the Financial Schedules

Colonel Kriste Kibbey Etue, Director  
Michigan Department of State Police  
333 South Grand Avenue  
Lansing, Michigan

Dear Colonel Etue:

We have audited the accompanying financial schedules of the Michigan Department of State Police for the fiscal years ended September 30, 2011 and September 30, 2010, as identified in the table of contents. These financial schedules are the responsibility of the Department's 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 discussed in Note 1, the financial schedules present only the revenues and other financing sources and the sources and disposition of authorizations for the Michigan Department of State Police's General Fund 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 Department 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 other financing sources and the sources and disposition of authorizations of the Michigan Department of State Police for the fiscal years ended September 30, 2011 and September 30, 2010 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2012 on our consideration of the Department'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 expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the Department'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.

Sincerely,

  
Thomas H. McTavish, C.P.A.  
Auditor General  
May 31, 2012

MICHIGAN DEPARTMENT OF STATE POLICE  
Schedule of General Fund Revenues and Other Financing Sources  
Fiscal Years Ended September 30

	2011	2010
REVENUES (Note 2)		
From taxes	\$ 1,815,978	\$ 1,784,340
From federal agencies	90,626,872	126,047,093
From local agencies	2,634,176	2,954,572
From services	55,302,412	55,121,733
From licenses and permits	12,362,142	10,646,576
Miscellaneous		
Income from investments	105,149	152,236
Various fines, fees, and assessments	6,393,308	6,355,532
Court fines, fees, and assessments	29,924,925	32,416,069
Other miscellaneous	8,933,932	5,559,576
Total revenues	\$ 208,098,895	\$ 241,037,727
 OTHER FINANCING SOURCES (Note 2)		
Transfers from other funds	9,348,463	11,718,459
 Total revenues and other financing sources	\$ 217,447,358	\$ 252,756,186

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

MICHIGAN DEPARTMENT OF STATE POLICE  
Schedule of Sources and Disposition of General Fund Authorizations  
Fiscal Years Ended September 30

	<u>2011</u>	<u>2010</u>
<b>SOURCES OF AUTHORIZATIONS (Note 3)</b>		
General purpose appropriations	\$ 257,574,100	\$ 268,141,000
Balances carried forward	55,917,500	23,096,267
Restricted financing sources	229,618,975	262,216,630
Less: Intrafund expenditure reimbursements	<u>(14,831,398)</u>	<u>(11,699,954)</u>
 Total	 <u>\$ 528,279,177</u>	 <u>\$ 541,753,943</u>
 <b>DISPOSITION OF AUTHORIZATIONS (Note 3)</b>		
Gross expenditures and transfers out	\$ 494,675,886	\$ 497,256,390
Less: Intrafund expenditure reimbursements	<u>(14,831,398)</u>	<u>(11,699,954)</u>
Net expenditures and transfers out	<u>\$ 479,844,488</u>	<u>\$ 485,556,436</u>
Balances carried forward:		
Encumbrances	\$ 4,946,164	\$ 4,632,693
Multi-year projects	1,497,551	1,586,189
Restricted revenues - not authorized or used	<u>41,429,897</u>	<u>49,698,618</u>
Total balances carried forward	<u>\$ 47,873,612</u>	<u>\$ 55,917,500</u>
Balances lapsed	<u>\$ 561,076</u>	<u>\$ 280,007</u>
 Total	 <u>\$ 528,279,177</u>	 <u>\$ 541,753,943</u>

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 Michigan Department of State Police (MSP) for the fiscal years ended September 30, 2011 and September 30, 2010. The financial transactions of MSP are accounted for principally 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 MSP. 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.

#### 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 other financing sources and the sources and disposition of authorizations for MSP's General Fund accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either MSP or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

Note 2 Schedule of General Fund Revenues and Other Financing Sources

MSP receives tax revenue from a portion of the motor vehicle registration tax collected by the Department of State. Local revenue is received for school bus inspections and for reimbursement of leased MSP vehicles and overtime costs in relation to various multi-jurisdictional task forces with local units of government. Service revenue is received for fees related to background checks, fingerprints, and motor vehicle registration transaction fees collected by the Department of State. License and permit revenue is received for motor vehicle operators' and chauffeurs' licenses. MSP receives miscellaneous revenue from the Automobile Theft Prevention Fund, which includes assessment fees paid by insurers engaged in writing insurance coverage within the State, as outlined in Section 500.6107 of the *Michigan Compiled Laws*. Of the revenue received by MSP, 99% is restricted revenue. In addition, miscellaneous revenue is received from the Justice System Fund, which includes court fines, fees, and assessments collected by courts. The Justice System Fund revenue distribution is outlined in Section 600.181 of the *Michigan Compiled Laws*.

Various public acts appropriated \$9.5 million and \$11.8 million from the State Services Fee Fund to the State Forensic Laboratory Fund for fiscal years 2010-11 and 2009-10.

Note 3 Schedule of Sources and Disposition of General Fund Authorizations

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

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenues.
- b. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenues - authorized, and restricted revenues - not authorized or used that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenues - not authorized or used.

- c. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements used to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenues - authorized or restricted revenues - not authorized or used.
- d. Intrafund expenditure reimbursements: Funding from other General Fund departments to finance a program or a portion of a program that is the responsibility of the receiving department. Significant intrafund expenditure reimbursements were from commercial mobile radio service fees (\$8.7 million and \$5.0 million for fiscal years 2010-11 and 2009-10, respectively).
- e. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered during the fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.
- f. Multi-year projects: Unexpended authorizations for work projects and capital outlay projects that are carried forward to subsequent fiscal years for the completion of the projects.
- g. Restricted revenues - not authorized or used: Revenues that, by statute, are restricted for use to a particular program or activity. Generally, the expenditure of the restricted revenues is subject to annual legislative appropriation. Significant carry-forwards of this type were for Michigan justice training grants (\$4.5 million and \$4.7 million for fiscal years 2010-11 and 2009-10, respectively) and Byrne justice assistance (\$14.0 million and \$26.3 million for fiscal years 2010-11 and 2009-10, respectively).

- h. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year.



# SUPPLEMENTAL FINANCIAL SCHEDULE

**MICHIGAN DEPARTMENT OF STATE POLICE**  
Schedule of Expenditures of Federal Awards (Note 1)  
For the Period October 1, 2009 through September 30, 2011

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Identification Number	For the Fiscal Year Ended September 30, 2010		
			Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<b><u>U.S. Department of Agriculture</u></b>					
Direct Programs:					
Forest Service Drug Team	10.09-LE-11091000-030**		\$ 19,321	\$	\$ 19,321
Joint Law Enforcement Operations	10**		20,000		20,000
<b>Total U.S. Department of Agriculture</b>			<b>\$ 39,321</b>	<b>\$ 0</b>	<b>\$ 39,321</b>
<b><u>U.S. Department of Commerce</u></b>					
Direct Programs:					
Applied Meteorological Research	11.468		\$	\$ 108,733	\$ 108,733
Public Safety Interoperable Communications Grant Program	11.555		15,757	3,472,711	3,488,468
<b>Total U.S. Department of Commerce</b>			<b>\$ 15,757</b>	<b>\$ 3,581,444</b>	<b>\$ 3,597,201</b>
<b><u>U.S. Department of Justice</u></b>					
JAG Program Cluster:					
Direct Programs:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738		\$ 2,222,979	\$ 4,491,454	\$ 6,714,433
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803		1,071,976	12,197,650	13,269,626
Total JAG Program Cluster			<u>\$ 3,294,955</u>	<u>\$ 16,689,104</u>	<u>\$ 19,984,059</u>
Direct Programs:					
Missing Children's Assistance	16.543		\$ 726,643	\$	\$ 726,643
National Criminal History Improvement Program (NCHIP)	16.554		347,985	67,461	415,446
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		211,894		211,894
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		52,424		52,424
Residential Substance Abuse Treatment for State Prisoners	16.593		5,216	32,243	37,459
ARRA - Public Safety Partnership and Community Policing Grants	16.710		557,736	7,174	564,910
Enforcing Underage Drinking Laws Program	16.727		25,848	526,218	552,066
Forensic DNA Backlog Reduction Program	16.741		2,880,597		2,880,597
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		181,655		181,655
Convicted Offender and/or Arrestee DNA Backlog Reduction Program	16.748		186,882		186,882
Support for Adam Walsh Act Implementation Grant Program	16.750				0
ARRA - Recovery Act - Internet Crimes against Children Task Force Program	16.800		106,572	391,104	497,676
ARRA - Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810		2,085,085		2,085,085
Upper Peninsula Safe Trails Task Force (UPSTTF)	16.198E-DE-C100655**		62,708		62,708
Oakland County Violent Gang Task Force	16.281D-DE-A-102972**		11,132		11,132
BAYANET OCDETF	16.GL-MIE-0452**		2,954		2,954
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2009-80**		64,846	29,931	94,777
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2010-84**		297,296	59,170	356,466
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2011-87**				0
Tri County Metro OCDETF	16.GL-MIW-132**				0
FANG OCDETF	16.GL-MIE-0454**				0
COPS Digital Image Unit Grant	16.2008-CK-WX-0802**		32,334		32,334
Genesee County Safe Streets Task Force (GCSSTF)	16.281D-DE-C98517**		18,792		18,792
Southeast Michigan Crimes Against Children Task Force (SEMCAAC)	16.31E-DE-C100515**		56,146		56,146
Firearms ATF Overtime Reimbursement Task Force	16.09-DET-181-AFF**		73,747		73,747
Weed and Seed Program	16**		1,179	2,800	3,979
Equitable Sharing of Federally Forfeited Property	16**		454,262		454,262
Firearms Investigative Team	16**		74,152		74,152

This schedule continued on next page.

For the Fiscal Year Ended September 30, 2011			Total Expended and Distributed for the Two-Year Period
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	
\$ 1,225	\$ 468	\$ 1,693	\$ 21,014
20,000		20,000	40,000
<b>\$ 21,225</b>	<b>\$ 468</b>	<b>\$ 21,693</b>	<b>\$ 61,014</b>
\$ 505,651	\$ 106,358	\$ 106,358	\$ 215,091
	5,139,110	5,644,761	9,133,229
<b>\$ 505,651</b>	<b>\$ 5,245,468</b>	<b>\$ 5,751,119</b>	<b>\$ 9,348,320</b>
\$ 2,208,332	\$ 6,557,316	\$ 8,765,648	\$ 15,480,081
1,210,749	12,177,519	13,388,268	26,657,894
<b>\$ 3,419,081</b>	<b>\$ 18,734,835</b>	<b>\$ 22,153,916</b>	<b>\$ 42,137,975</b>
\$ 154,656	\$ 109,541	\$ 264,197	\$ 990,840
162,599	67,464	230,063	645,509
		0	211,894
1,776		1,776	54,200
14,021	826,853	840,874	878,333
1,876,400		1,876,400	2,441,310
269,028	243,619	512,647	1,064,713
1,541,754		1,541,754	4,422,351
203,836		203,836	385,491
		0	186,882
150,000		150,000	150,000
274,053		274,053	771,729
3,131,055		3,131,055	5,216,140
61,684		61,684	124,392
		0	11,132
43,790		43,790	46,744
		0	94,777
68,543		68,543	425,009
349,535		349,535	349,535
3,345		3,345	3,345
5,008		5,008	5,008
21,150		21,150	53,484
18,131		18,131	36,923
37,604		37,604	93,750
		0	73,747
1,075		1,075	5,054
280,317		280,317	734,579
32,021		32,021	106,173

**MICHIGAN DEPARTMENT OF STATE POLICE**  
Schedule of Expenditures of Federal Awards (Note 1)  
For the Period October 1, 2009 through September 30, 2011  
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Identification Number	For the Fiscal Year Ended September 30, 2010		
			Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
District Fugitive Task Force	16**		\$ 146,563	\$	\$ 146,563
Straits Area Safe Trails Task Force (SASTT)	16**		7,329		7,329
ATF OT 8th District	16**		29,635		29,635
Detroit Violent Gang Task Force (DVGTF)	16**		15,808		15,808
Detroit Major Crimes Task Force (DMCTF)	16**		10,506		10,506
Detroit Fugitive Apprehension Team (DFAT)	16**		5,289		5,289
Drug Enforcement Administration - Group 6	16**				0
Joint Terrorism Task Force	16**		32,080		32,080
WWCI OCDETF	16**				0
Sex Offender Sweeps	16**		14,090		14,090
U.S. Marshal Western District	16**				0
U.S. Marshal's Service - Detroit Fugitive Apprehension Team	16**		1,720		1,720
ATF Task Force	16**		14,434		14,434
<b>Total Direct Programs</b>			<b>\$ 8,795,539</b>	<b>\$ 1,116,101</b>	<b>\$ 9,911,640</b>
<b>Pass-Through Programs:</b>					
<b>Kent County:</b>					
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2010-DN-BX-K041	\$	\$	\$ 0
<b>Michigan Department of Human Services:</b>					
ARRA - Violence Against Women Formula Grants	16.588	10-IA-02	\$ 153,062	\$	\$ 153,062
ARRA - Violence Against Women Formula Grants	16.588	10-IA-01	72,003		72,003
ARRA - Violence Against Women Formula Grants	16.588	11-IA-01			0
ARRA - Violence Against Women Formula Grants	16.588	09-IA-01			0
ARRA - Violence Against Women Formula Grants	16.588	MSP-09-IA-02	124,590		124,590
Total ARRA - Violence Against Women Formula Grants			\$ 349,655	\$ 0	\$ 349,655
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	10-IA-03	33,781		33,781
<b>Detroit Community Justice Partnership:</b>					
Project Safe Neighborhoods	16.609	2008-GPCX-0033	35,786		35,786
Project Safe Neighborhoods	16**		56,278		56,278
Project Safe Neighborhoods Anti Gang	16**		60,688	2,688	63,376
<b>Genesee County:</b>					
ARRA - Public Safety Partnership and Community Policing Grants	16.710				0
<b>City of Jackson:</b>					
Project Safe Neighborhood Jackson	16**		7,974		7,974
<b>United Way for Southeastern Michigan:</b>					
Comprehensive Anti Gang Initiatives	16**		35,839		35,839
<b>Total Pass-Through Programs</b>			<b>\$ 580,001</b>	<b>\$ 2,688</b>	<b>\$ 582,689</b>
<b>Total U.S. Department of Justice</b>			<b>\$ 12,670,495</b>	<b>\$ 17,807,893</b>	<b>\$ 30,478,388</b>
<b><u>U.S. Department of Transportation</u></b>					
<b>Highway Safety Cluster:</b>					
<b>Direct Programs:</b>					
State and Community Highway Safety	20.600		\$ 4,864,592	\$ 2,524,895	\$ 7,389,487
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		2,204,606	1,616,695	3,821,301
Occupant Protection Incentive Grants	20.602		95,084	677,831	772,915
Safety Belt Performance Grants	20.609		621,574	(5,751)	615,823
State Traffic Safety Information System Improvement Grants	20.610		164,231	583,601	747,832
Incentive Grant Program to Increase Motorcyclist Safety	20.612		52,552		52,552
Child Safety and Child Booster Seats Incentive Grants	20.613		365,372	105,358	470,730
Total Highway Safety Cluster			\$ 8,368,011	\$ 5,502,629	\$ 13,870,640

This schedule continued on next page.

For the Fiscal Year Ended September 30, 2011			Total Expended and Distributed for the Two-Year Period
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	
\$ 92,275	\$	\$ 92,275	\$ 238,838
5,987		5,987	13,316
3,204		3,204	32,839
22,164		22,164	37,972
8,404		8,404	18,910
372		372	5,661
13,751		13,751	13,751
39,489		39,489	71,569
11,561		11,561	11,561
		0	14,090
2,971		2,971	2,971
36,000		36,000	37,720
1,962		1,962	16,396
<u>\$ 8,939,521</u>	<u>\$ 1,247,477</u>	<u>\$ 10,186,998</u>	<u>\$ 20,098,638</u>

\$ 14,407	\$	\$ 14,407	\$ 14,407
		0	153,062
		0	72,003
149,202		149,202	149,202
71,625		71,625	71,625
862,266		862,266	986,856
<u>\$ 1,083,093</u>	<u>\$ 0</u>	<u>\$ 1,083,093</u>	<u>\$ 1,432,748</u>
27,152		27,152	60,933
		0	35,786
25,253		25,253	81,531
		0	63,376
106,960		106,960	106,960
609		609	8,583
83,626		83,626	119,465
<u>\$ 1,341,100</u>	<u>\$ 0</u>	<u>\$ 1,341,100</u>	<u>\$ 1,923,789</u>
<b><u>\$ 13,699,702</u></b>	<b><u>\$ 19,982,312</u></b>	<b><u>\$ 33,682,014</u></b>	<b><u>\$ 64,160,402</u></b>

\$ 4,294,465	\$ 2,374,787	\$ 6,669,252	\$ 14,058,739
2,659,028	1,544,351	4,203,379	8,024,680
809,450	513,190	1,322,640	2,095,555
61,231	508,664	569,895	1,185,718
174,884	847,659	1,022,543	1,770,375
203,860	122,729	326,589	379,141
19,033		19,033	489,763
<u>\$ 8,221,951</u>	<u>\$ 5,911,380</u>	<u>\$ 14,133,331</u>	<u>\$ 28,003,971</u>

**MICHIGAN DEPARTMENT OF STATE POLICE**  
Schedule of Expenditures of Federal Awards (Note 1)  
For the Period October 1, 2009 through September 30, 2011  
(Continued)

Federal Agency/Program or Cluster	CFDA * Number	Pass-Through Identification Number	For the Fiscal Year Ended September 30, 2010		
			Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<b>Direct Programs:</b>					
National Motor Carrier Safety	20.218		\$ 5,790,993	\$	\$ 5,790,993
Border Enforcement Grants	20.233		950,908		950,908
Safety Data Improvement Program	20.234				0
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614				0
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		383,966	183,257	567,223
Transportation Planning, Research and Education	20.931		616,259		616,259
<b>Total Direct Programs</b>			<b>\$ 7,742,126</b>	<b>\$ 183,257</b>	<b>\$ 7,925,383</b>
<b>Total U.S. Department of Transportation</b>			<b>\$ 16,110,137</b>	<b>\$ 5,685,886</b>	<b>\$ 21,796,023</b>
<b><u>U.S. Department of Treasury</u></b>					
<b>Direct Program:</b>					
Equitable Sharing of Federally Forfeited Property	21**		\$ 77,622	\$	\$ 77,622
<b>Total U.S. Department of Treasury</b>			<b>\$ 77,622</b>	<b>\$ 0</b>	<b>\$ 77,622</b>
<b><u>U.S. Department of Education</u></b>					
<b>State Fiscal Stabilization Fund (SFSF) Cluster:</b>					
<b>Pass-Through Program:</b>					
Michigan Department of Technology, Management, and Budget: ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		\$	\$	\$ 0
<b>Total U.S. Department of Education</b>			<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b><u>Executive Office of the President</u></b>					
<b>Direct Program:</b>					
High Intensity Drug Trafficking Areas (HIDTA)	95.001		\$ 533,593	\$	\$ 533,593
<b>Total Executive Office of the President</b>			<b>\$ 533,593</b>	<b>\$ 0</b>	<b>\$ 533,593</b>
<b><u>U.S. Department of Homeland Security</u></b>					
<b>Homeland Security Grant Cluster:</b>					
<b>Direct Program:</b>					
Homeland Security Grant Program	97.067		\$ 5,989,962	\$ 29,970,771	\$ 35,960,733
<b>Total Homeland Security Grant Cluster</b>			<b>\$ 5,989,962</b>	<b>\$ 29,970,771</b>	<b>\$ 35,960,733</b>
<b>Direct Programs:</b>					
Interoperable Emergency Communications Grant Program	97.001		\$	\$	\$ 0
Non-Profit Security Program	97.008			334,130	334,130
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017				0
Flood Mitigation Assistance (FMA)	97.029			6,268	6,268
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		20,237	546,973	567,210
Hazard Mitigation Grant (Note 2)	97.039		36,112	826,153	862,265
Emergency Management Performance Grants	97.042		4,800,606	2,313,237	7,113,843
Pre-Disaster Mitigation	97.047			518,868	518,868
Interoperable Emergency Communications	97.055		156,677	461,880	618,557
Rail and Transit Security Grant Program	97.075			161,054	161,054
Buffer Zone Protection Program (BZPP)	97.078		2,567	1,000,503	1,003,070
Border Interoperability Demonstration Project	97.120				0
U.S. Immigration and Customs Enforcement Joint Operations	97**		1,139		1,139
<b>Total Direct Programs</b>			<b>\$ 5,017,338</b>	<b>\$ 6,169,066</b>	<b>\$ 11,186,404</b>
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 11,007,300</b>	<b>\$ 36,139,837</b>	<b>\$ 47,147,137</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 40,454,225</b>	<b>\$ 63,215,060</b>	<b>\$ 103,669,285</b>

\* CFDA is defined as *Catalog of Federal Domestic Assistance*.

\*\* CFDA number is not available. Number derived from federal agency number and grant or contract number, if available.

The accompanying notes are an integral part of this schedule.

For the Fiscal Year Ended September 30, 2011			Total Expended and Distributed for the Two-Year Period
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	
\$ 5,624,964	\$	\$ 5,624,964	\$ 11,415,957
208,740		208,740	1,159,648
309,000		309,000	309,000
6,410		6,410	6,410
223,532	343,690	567,222	1,134,445
4,652		4,652	620,911
<u>\$ 6,377,298</u>	<u>\$ 343,690</u>	<u>\$ 6,720,988</u>	<u>\$ 14,646,371</u>
<b>\$ 14,599,249</b>	<b>\$ 6,255,070</b>	<b>\$ 20,854,319</b>	<b>\$ 42,650,342</b>
\$ 334,670	\$	\$ 334,670	\$ 412,292
<b>\$ 334,670</b>	<b>\$ 0</b>	<b>\$ 334,670</b>	<b>\$ 412,292</b>
\$ 922,000	\$	\$ 922,000	\$ 922,000
<b>\$ 922,000</b>	<b>\$ 0</b>	<b>\$ 922,000</b>	<b>\$ 922,000</b>
\$ 602,461	\$	\$ 602,461	\$ 1,136,054
<b>\$ 602,461</b>	<b>\$ 0</b>	<b>\$ 602,461</b>	<b>\$ 1,136,054</b>
\$ 6,385,661	\$ 28,984,784	\$ 35,370,445	\$ 71,331,178
<u>\$ 6,385,661</u>	<u>\$ 28,984,784</u>	<u>\$ 35,370,445</u>	<u>\$ 71,331,178</u>
\$ 66,879	\$ 784,577	\$ 851,456	\$ 851,456
77	381,918	381,995	716,125
	561,455	561,455	561,455
	10,237	10,237	16,505
21,555	119,849	141,404	708,614
23,213	778,700	801,913	1,664,178
5,476,654	2,272,003	7,748,657	14,862,500
	25,853	25,853	544,721
	5,964	5,964	624,521
	630,679	630,679	791,733
11,509	522,317	533,826	1,536,896
	1,798	1,798	1,798
		0	1,139
<u>\$ 5,599,887</u>	<u>\$ 6,095,350</u>	<u>\$ 11,695,237</u>	<u>\$ 22,881,641</u>
<b>\$ 11,985,548</b>	<b>\$ 35,080,134</b>	<b>\$ 47,065,682</b>	<b>\$ 94,212,819</b>
<u>\$ 42,670,506</u>	<u>\$ 66,563,452</u>	<u>\$ 109,233,958</u>	<u>\$ 212,903,243</u>

## Notes to the Schedule of Expenditures of Federal Awards

### Note 1 Basis of Presentation

This schedule presents the federal grant activity of the Michigan Department of State Police (MSP) on the modified accrual basis of accounting and in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the financial schedules. MSP receives some federal grants as a subgrantee of another State department and also distributes some federal grants to other State departments as a pass-through entity\*. In these cases, the transfer of the financing is recorded in the MSP accounting records as an expenditure credit or as a revenue debit. As a result, the amounts reported as expended on this schedule differ from the amounts reported as federal revenue in the schedule of General Fund revenues and other financing sources.

### Note 2 U.S. Department of Homeland Security Grants

Grants from the Federal Emergency Management Agency are now awarded through the U.S. Department of Homeland Security. MSP distributed to subrecipients \$572,607 and \$333,396 from the Hazard Mitigation Grant, *CFDA 83.548*, awarded by the Federal Emergency Management Agency, during fiscal year 2009-10 and fiscal year 2010-11, respectively. These expenditures are reported as distributed to subrecipients in the Hazard Mitigation Grant, *CFDA 97.039*, awarded by the U.S. Department of Homeland Security.

\* See glossary at end of report for definition.

# INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL AND COMPLIANCE



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

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

Colonel Kriste Kibbey Etue, Director  
Michigan Department of State Police  
333 South Grand Avenue  
Lansing, Michigan

Dear Colonel Etue:

We have audited the financial schedules of the Michigan Department of State Police for the fiscal years ended September 30, 2011 and September 30, 2010, as identified in the table of contents, and have issued our report thereon dated May 31, 2012. 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

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department'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 Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined in the preceding paragraph.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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*.

This report is intended solely for the information and use of the Governor, the Legislature, management, others within the Department, federal awarding agencies, and pass-through entities 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.

Sincerely,

  
Thomas H. McTavish, C.P.A.  
Auditor General  
May 31, 2012



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

Independent Auditor's Report on Compliance With  
Requirements That Could Have a Direct and Material Effect on  
Each Major Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133

Colonel Kriste Kibbey Etue, Director  
Michigan Department of State Police  
333 South Grand Avenue  
Lansing, Michigan

Dear Colonel Etue:

Compliance

We have audited the Michigan Department of State Police's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the two-year period ended September 30, 2011. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the preceding paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Michigan Department of State Police complied, in all material respects, with the compliance requirements referred to in the first paragraph that could have a direct and material effect on each of its major federal programs for the two-year period ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 1 through 5.

### Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

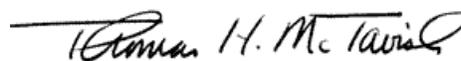
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined in the preceding paragraph. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs in Findings 1 through 5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Department's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governor, the Legislature, management, others within the Department, federal awarding agencies, and pass-through entities 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.

Sincerely,



Thomas H. McTavish, C.P.A.  
Auditor General  
May 31, 2012

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

## Section I: Summary of Auditor's Results

### Financial Schedules

Type of auditor's report issued:	Unqualified*
Internal control* over financial reporting:	
Material weaknesses* identified?	No
Significant deficiencies* identified?	None reported
Noncompliance or other matters material to the financial schedules?	No

### Federal Awards

Internal control over major programs:	
Material weaknesses* identified?	No
Significant deficiencies* identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget* (OMB) Circular A-133, Section 510(a)?	Yes

### Identification of major programs:

<u>CFDA* Number</u>	<u>Name of Federal Program or Cluster*</u>
11.555	Public Safety Interoperable Communications Grant Program
	<u>JAG Program Cluster:</u>
16.738	<ul style="list-style-type: none"> <li>• Edward Byrne Memorial Justice Assistance Grant Program</li> </ul>
16.803	<ul style="list-style-type: none"> <li>• ARRA* - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories</li> </ul>

\* See glossary at end of report for definition.

16.741	Forensic DNA Backlog Reduction Program
16.810	ARRA* - Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program
20.218	National Motor Carrier Safety
97.042	Emergency Management Performance Grants
97.067	Homeland Security Grant Cluster
97.078	Buffer Zone Protection Program (BZPP)

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as a low-risk auditee\*? No

## **Section II: Findings Related to the Financial Schedules**

We did not report any findings related to the financial schedules.

**The status of the findings related to the financial schedules that were reported in prior single audits\* is disclosed in the summary schedule of prior audit findings.**

## **Section III: Findings and Questioned Costs\* Related to Federal Awards**

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditor to test key controls at a level that would provide sufficient evidence that the established control structure would provide a high probability that material federal program noncompliance would be prevented or detected and corrected. This requires that the auditor set the tolerable exception rate of occurrence

\* See glossary at end of report for definition.

at a very low level. During the audit fieldwork, the auditor, in close consultation with the auditee, identifies the key controls that the auditee has established to ensure federal program compliance. In those cases in which the auditor's tests of key controls identify exception rates in excess of the tolerable exception rate of occurrence, the auditor must generally report the observed exception rate in the report finding.

Further, Circular A-133 requires the auditor to report in this section of the audit report known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major program and known questioned costs that are less than \$10,000 for a type of compliance requirement for a major program if it is likely that total questioned costs would exceed \$10,000.

As a result of these low required reporting thresholds, the reader may note that, in some cases, the observed exception rates of occurrence and reported known questioned costs appear insignificant in relation to the overall federal expenditures of the auditee. After the audit report is filed with the federal audit clearinghouse, the responsible federal agency is required to issue a management decision within six months of the receipt of the audit report. The management decision may include a request for the return of the known questioned costs.

**FINDING (5511201)**

1. Public Safety Interoperable Communications Grant Program, CFDA 11.555

U.S. Department of Commerce	CFDA 11.555: Public Safety Interoperable Communications Grant Program
Award Number: 2007-GS-H7-0043	Award Period: 10/01/2007 - 06/30/2012
	Known Questioned Costs: \$0

The Michigan Department of State Police's (MSP's) internal control over the Public Safety Interoperable Communications (PSIC) Grant Program did not ensure compliance with federal laws and regulations regarding subrecipient\* monitoring.

Internal control that does not ensure compliance with federal laws and regulations could result in sanctions, disallowances, and/or future reductions of PSIC Grant Program awards.

\* See glossary at end of report for definition.

Federal expenditures for the PSIC Grant Program totaled \$9.1 million for the two-year period ended September 30, 2011. MSP distributed \$8.6 million of this amount to subrecipients and directly expended \$0.5 million.

OMB Circular A-133 requires MSP to monitor its subrecipients' compliance with applicable laws and regulations, which includes the Davis-Bacon Act. This Act requires laborers and mechanics working on federally funded construction projects exceeding \$2,000 to be paid the prevailing wages for their applicable geographic area. To help ensure compliance with this provision, the Davis-Bacon Act requires construction contractors to submit their certified weekly payroll to the subrecipient that hired them. However, MSP did not monitor its subrecipients to ensure that they obtained and reviewed the payroll data or conducted other activities to verify compliance with the Davis-Bacon Act's prevailing wage requirements.

MSP informed us that two subrecipients used PSIC Grant Program funds for construction projects during the two-year period. MSP distributed \$1.4 million and \$1.2 million to the subrecipients for projects totaling \$4.3 million and \$1.4 million, respectively. The total services-related costs for these projects were \$1.1 million and \$740,000, respectively. However, MSP did not have sufficient documentation to identify how much of the services-related costs were for the wages of laborers and mechanics subject to compliance with the Davis-Bacon Act.

## **RECOMMENDATION**

We recommend that MSP improve its internal control over the PSIC Grant Program to ensure compliance with federal laws and regulations regarding subrecipient monitoring.

## **FINDING (5511202)**

### **2. Forensic DNA Backlog Reduction Program, CFDA 16.741**

U.S. Department of Justice	CFDA 16.741: Forensic DNA Backlog Reduction Program
Award Number: 2007-DN-BX-K083 2008-DN-BX-K112 2009-DN-BX-K126 2010-DN-BX-K153	Award Period: 10/01/2007 - 03/31/2010 10/01/2008 - 09/30/2011 10/01/2009 - 03/31/2012 10/01/2010 - 03/31/2013
	Known Questioned Costs: \$0

MSP had not established internal control over the Forensic DNA Backlog Reduction Program to ensure compliance with federal regulations and grant program guidelines regarding reporting.

Internal control that does not ensure compliance with federal regulations and grant program guidelines could result in sanctions, disallowances, and/or future reductions of Forensic DNA Backlog Reduction Program awards.

Federal expenditures for the Forensic DNA Backlog Reduction Program totaled \$4.4 million for the two-year period ended September 30, 2011.

Title 49, Part 18, sections 40 and 41 of the *Code of Federal Regulations*\* (CFR) require grantees to submit accurate and complete financial data and program performance data in accordance with a grant program's reporting requirements. The Forensic DNA Backlog Reduction Program requires grantees to submit quarterly federal financial reports (FFRs) and biannual progress reports to the federal grantor agency. The FFRs contain cumulative grant expenditure data, and the progress reports contain program results data related to preestablished program performance measures.

We compared the cumulative expenditures reported on the fourth quarter FFRs for each of three Forensic DNA Backlog Reduction Program grants that were active during fiscal years 2010-11 and 2009-10 to the related expenditures recorded in the State's accounting system. We noted that MSP overstated its expenditures on

\* See glossary at end of report for definition.

1 (16.7%) of the 6 FFRs reviewed by \$3,147 and understated its expenditures on 2 (33.3%) of the 6 FFRs reviewed by \$290,257 and \$5,258, respectively.

Also, we compared selected performance data reported on 2 of the 4 biannual progress reports to MSP's supporting data. On both reports, MSP misstated its program results for 1 (50.0%) of the 2 performance measures that we reviewed. MSP reported that it took an average of 271 days and 335 days, respectively, for it to process DNA samples received during the two reporting periods. However, supporting data showed that the average number of processing days for the samples was 299 days and 339 days, respectively. MSP informed us that the inaccurate reporting occurred, in part, because it mistakenly used the wrong supporting data in its calculation. In addition, we noted that MSP submitted its FFRs and biannual progress reports without supervisory review and approval.

**RECOMMENDATION**

We recommend that MSP establish internal control over the Forensic DNA Backlog Reduction Program to ensure compliance with federal regulations and grant program guidelines regarding reporting.

**FINDING (5511203)**

3. National Motor Carrier Safety, CFDA 20.218

U.S. Department of Transportation	CFDA 20.218: National Motor Carrier Safety
Award Number: MN092610000000	Award Period: 10/01/2008 - 09/30/2010
MN102610000000	10/01/2009 - 09/30/2011
MN112610000000	10/01/2010 - 09/30/2012
MH112630000000	05/01/2011 - 09/30/2012
MC102610000000	10/01/2009 - 09/30/2011
MC112610000000	10/01/2010 - 09/30/2012
	Known Questioned Costs: \$0

MSP's internal control over the National Motor Carrier Safety Program did not ensure compliance with federal laws and regulations regarding reporting.

Internal control that does not ensure compliance with federal laws and regulations could result in sanctions, disallowances, and/or future reductions of National Motor Carrier Safety Program awards.

Federal expenditures for the National Motor Carrier Safety Program totaled \$11.4 million for the two-year period ended September 30, 2011.

Federal regulation 49 *CFR* 18.40 requires grantees to report their accomplishments related to the established objectives for the grant program. Federal regulation 49 *CFR* 18.42 requires grantees to retain these reports and supporting documentation for three years from the date they submit their final expenditure reports for the grant program.

MSP reported various statistical information for its program accomplishments relative to the National Motor Carrier Safety Program's objectives. We reviewed a total of 12 of the 21 objectives included in 3 quarterly performance reports for the Commercial Vehicle Safety Plan. MSP did not maintain supporting documentation for or maintained documentation that conflicted with 26 (9.6%) of the 272 statistics included in the quarterly performance reports.

### **RECOMMENDATION**

We again recommend MSP improve its internal control over the National Motor Carrier Safety Program to ensure compliance with federal laws and regulations regarding reporting.

### **FINDING (5511204)**

#### 4. Emergency Management Performance Grants, *CFDA* 97.042

U.S. Department of Homeland Security	<i>CFDA</i> 97.042: Emergency Management Performance Grants
Award Number: 2009-SD-B9-0103	Award Period: 08/01/2009 - 07/31/2012
	Known Questioned Costs: \$2,003

MSP's internal control over the Emergency Management Performance Grants Program did not ensure compliance with federal laws and regulations regarding allowable costs/cost principles. As a result, we identified known questioned costs of \$2,003.

Internal control that does not ensure compliance with federal laws and regulations could result in sanctions, disallowances, and/or future reductions of federal awards.

Federal expenditures for the Emergency Management Performance Grants Program totaled \$14.9 million for the two-year period ended September 30, 2011. Salaries and wages accounted for \$6.7 million (44.9%) of the total expenditures.

OMB Circular A-87, Appendix B, section 8.h.(1) requires that charges to federal awards for salaries and wages, whether treated as direct or indirect costs, be based on payrolls documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official of the governmental unit. The State of Michigan Financial Management Guide (Part IV, Chapter 1, Section 100) requires supervisory review and approval of employee time reporting records.

We tested 26 time sheets or other time reporting records for the Emergency Management Performance Grants Program and identified 1 (3.8%) time reporting record that was not approved by the employee's immediate supervisor.

**RECOMMENDATION**

We recommend that MSP improve its internal control over the Emergency Management Performance Grants Program to ensure compliance with federal laws and regulations regarding allowable costs/cost principles.

**FINDING (5511205)**

5. **OMB Circular A-133 Subrecipient Audit Requirements**

U.S. Department of Commerce	CFDA 11.555: Public Safety Interoperable Communications Grant Program
Award Number: 2007-GS-H7-0043	Award Period: 10/01/2007 - 06/30/2012
	Known Questioned Costs: \$0

U.S. Department of Justice	JAG Program Cluster: CFDA 16.738: Edward Byrne Memorial Justice Assistance Grant Program CFDA 16.803: ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) to Program/Grants States and Territories
Award Number: 2008-DJ-BX-4013 2009-DJ-BX-4086 2009-SU-B9-4017 (ARRA) 2010-DJ-BX-0003	Award Period: 10/01/2007 - 09/30/2012 10/01/2008 - 09/30/2012 03/01/2009 - 02/28/2013 10/01/2009 - 09/30/2013
	Known Questioned Costs: \$0

U.S. Department of Homeland Security	CFDA 97.042: Emergency Management Performance Grants
Award Number: 2007-EM-E7-0082 2009-EP-E9-0003 2010-EP-00-0002 EMW-2011-EP-00044-501	Award Period: 09/01/2007 - 08/31/2010 10/01/2008 - 09/30/2012 10/01/2009 - 09/30/2012 10/01/2010 - 09/30/2012
	Known Questioned Costs: \$0

U.S. Department of Homeland Security	CFDA 97.067: Homeland Security Grant Cluster
Award Number: 2005-GE-T5-0014 2006-GE-T6-0049 2007-GE-T7-0029 2008-SG-T8-0013 2008-GE-T8-0052 2009-SJ-T9-0007 2009-SS-T9-0060 2010-SS-T0-0009	Award Period: 10/01/2004 - 09/30/2009 07/01/2006 - 12/31/2010 07/01/2007 - 06/30/2011 09/01/2008 - 08/31/2011 09/01/2008 - 02/29/2012 07/01/2009 - 06/30/2012 08/01/2009 - 07/31/2012 08/01/2010 - 07/31/2013
	Known Questioned Costs: \$0

U.S. Department of Homeland Security	CFDA 97.078: Buffer Zone Protection Program (BZPP)
Award Number: 2006-BZ-T6-0024 2007-BZ-T7-0005 2008-BZ-T8-0041 2009-BF-T9-0005	Award Period: 10/01/2006 - 03/31/2010 07/01/2007 - 06/30/2010 09/01/2008 - 08/31/2011 04/01/2009 - 03/31/2012
	Known Questioned Costs: \$0

MSP's internal control did not ensure that MSP complied with federal laws and regulations regarding subrecipient monitoring.

Internal control that does not ensure compliance with federal guidelines could result in sanctions, disallowances, and/or future grant program reductions.

During fiscal years 2008-09 and 2009-10, MSP distributed a total of \$32.3 million in federal awards to 149 subrecipients and \$54.2 million to 235 subrecipients, respectively, for the 5 major federal grant programs with subrecipient activities that we reviewed during this audit. Fiscal year 2008-09 subrecipients were included in our review because the monitoring for the related audit reports and issuance of management decisions would have occurred during our audit period.

OMB Circular A-133 requires subrecipients that expend \$500,000 or more in federal awards during their fiscal year to obtain a single audit for that fiscal year. OMB Circular A-133 also requires MSP to issue a management decision on the appropriateness of all audit findings related to its federal awards and the subrecipient's related corrective action plan within six months of receiving the related single audit report.

MSP informed us that from October 2009 through April 2011, it monitored subrecipients' compliance with the audit requirements of OMB Circular A-133 and issued management decisions on applicable audit findings. However, MSP stated that it discontinued these activities when the employee responsible for performing them resigned from MSP. MSP stated that the State Budget Office subsequently identified subrecipient monitoring as a function that it wanted to consolidate as part of the accounting consolidation required by Executive Order No. 2007-32. Following a lengthy process, MSP entered into a memorandum of understanding with the Michigan Department of Education for it to provide administrative subrecipient monitoring services to MSP. The memorandum of understanding was effective October 1, 2011. As a result, MSP did not ensure that applicable subrecipients obtained single audits covering the expenditure of MSP's fiscal year 2009-10 federal awards, as these audits would have been completed close or subsequent to the date of the employee's resignation. Correspondingly, MSP did not issue management decisions on applicable audit findings for the fiscal year 2009-10 federal awards.

To assess the adequacy of MSP's efforts at ensuring that its fiscal year 2008-09 subrecipients complied with the OMB Circular A-133's audit requirement, we reviewed the Federal Audit Clearinghouse and identified 101 MSP subrecipients requiring a single audit. We examined MSP's audit monitoring records for 14 of these subrecipients and noted that MSP did not identify that 3 (21.4%) of the subrecipients required a single audit. Consequently, MSP did not obtain and review the subrecipients' audit reports and issue management decisions, if necessary.

### **RECOMMENDATION**

We recommend that MSP improve its internal control to ensure that it complies with federal laws and regulations regarding subrecipient monitoring.

**The status of the findings related to federal awards that were reported in prior single audits is disclosed in the summary schedule of prior audit findings.**

## OTHER SCHEDULES

MICHIGAN DEPARTMENT OF STATE POLICE  
Summary Schedule of Prior Audit Findings  
As of May 31, 2012

**PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL SCHEDULES**

Audit Findings That Have Been Fully Corrected:

**Audit Period:** October 1, 2007 through September 30, 2009

**Finding Number:** 5511001

**Finding Title:** Internal Control Over Payroll Processing

**Finding:** The Michigan Department of State Police (MSP) should improve its internal control over the processing of payroll transactions.

**Agency Comments:** MSP issued correspondence regarding the importance of signatures in the processing of payroll transactions.

**Audit Period:** October 1, 2007 through September 30, 2009

**Finding Number:** 5511002

**Finding Title:** Expenditures in Excess of Authorization

**Finding:** MSP did not prevent expenditures in excess of a line-item authorization.

**Agency Comments:** MSP implemented additional budgetary controls and monitoring procedures.

**PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS**

Audit Findings That Have Been Fully Corrected:

**Audit Period:** October 1, 2007 through September 30, 2009  
**Finding Number:** 5511003  
**Finding Title:** Public Safety Interoperable Communications Grant Program,  
*CFDA 11.555*

**Finding:** MSP's internal control over the Public Safety Interoperable Communications Grant Program (PSIC Grant Program) did not ensure compliance with federal laws and regulations regarding reporting.

**Agency Comments:** MSP implemented new procedures to ensure compliance with federal laws and regulations regarding reporting.

**Audit Period:** October 1, 2007 through September 30, 2009  
**Finding Number:** 5511004  
**Finding Title:** Forensic DNA Backlog Reduction Program, *CFDA 16.741*

**Finding:** MSP's internal control did not ensure that it maintained sufficient documentation to support the information reported in its semiannual progress reports for the Forensic DNA Backlog Reduction Program.

**Agency Comments:** MSP implemented procedures to ensure that sufficient documentation is maintained to support the semiannual progress reports.

**Audit Period:** October 1, 2007 through September 30, 2009  
**Finding Number:** 5511006  
**Finding Title:** Emergency Management Performance Grants, *CFDA 97.042*

**Finding:** MSP's internal control over the Emergency Management Performance Grants (EMPG) did not ensure compliance with federal laws and regulations regarding reporting.

**Agency Comments:** MSP implemented new procedures to ensure compliance with federal laws and regulations regarding reporting.

**Audit Period:** October 1, 2007 through September 30, 2009  
**Finding Number:** 5511007  
**Finding Title:** Buffer Zone Protection Program (BZPP), *CFDA 97.078*

**Finding:** MSP's internal control over the Buffer Zone Protection Program (BZPP) did not ensure compliance with federal laws and regulations regarding reporting.

**Agency Comments:** MSP implemented new procedures to ensure compliance with federal laws and regulations regarding reporting.

Audit Findings Not Corrected or Partially Corrected:

**Audit Period:** October 1, 2007 through September 30, 2009

**Finding Number:** 5511005

**Finding Title:** National Motor Carrier Safety, *CFDA* 20.218

**Finding:** MSP's internal control over the National Motor Carrier Safety Program did not ensure compliance with federal laws and regulations regarding reporting.

**Agency Comments:** MSP implemented new procedures to ensure compliance with federal laws and regulations regarding reporting. Significant improvement has been achieved. Additional monitoring has been implemented to achieve full compliance.

MICHIGAN DEPARTMENT OF STATE POLICE

Corrective Action Plan

As of June 7, 2012

**FINDINGS RELATED TO FEDERAL AWARDS**

**Finding Number:** 5511201  
**Finding Title:** Public Safety Interoperable Communications Grant Program, *CFDA* 11.555

**Management Views:** The Michigan Department of State Police (MSP) agrees with the finding.

**Planned Corrective Action:** The Emergency Management and Homeland Security Division will develop a process to ensure that applicable subrecipients submit payroll data to verify compliance with the Davis-Bacon Act's prevailing wage requirements.

**Anticipated Completion Date:** September 30, 2012

**Responsible Individuals:** Penny Burger, Financial Manager, Emergency Management and Homeland Security Division  
James Porcello, Planning and Program Development Manager, Emergency Management and Homeland Security Division

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**Finding Number:** 5511202  
**Finding Title:** Forensic DNA Backlog Reduction Program, *CFDA* 16.741

**Management Views:** MSP agrees with the finding.

**Planned Corrective Action:** The Forensic Science Division will perform additional monitoring to ensure that sufficient documentation is maintained and to verify that the data in performance and financial reports matches the supporting documentation.

**Anticipated Completion Date:** September 30, 2012

**Responsible Individuals:** Scott Butler, Grant Manager, Forensic Science Division  
Jeff Nye, DNA Technical Leader, Forensic Science Division

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**Finding Number:** 5511203  
**Finding Title:** National Motor Carrier Safety, *CFDA* 20.218

**Management Views:** MSP agrees with the finding.

**Planned Corrective Action:** The Commercial Vehicle Enforcement Division will perform additional monitoring to ensure that sufficient documentation is maintained and to verify the data in performance reports to the supporting documentation.

**Anticipated Completion Date:** June 30, 2012

**Responsible Individual:** Inspector Randy Coplin, Assistant Division Commander, Commercial Vehicle Enforcement Division

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**Finding Number:** 5511204  
**Finding Title:** Emergency Management Performance Grants, *CFDA* 97.042

**Management Views:** MSP agrees with the recommendation to ensure that procedures regarding approval of time sheets are followed. MSP did, however, have adequate controls in place providing overall oversight of grant activity to prevent any disallowed costs.

**Planned Corrective Action:** MSP will perform additional monitoring to ensure that time sheets are appropriately approved.

**Anticipated Completion Date:** September 30, 2012

**Responsible Individuals:** Penny Burger, Financial Manager, Emergency Management and Homeland Security Division  
Stephanie Horton, Director, Human Resources Division

**Finding Number:** 5511205

**Finding Title:** OMB Circular A-133 Subrecipient Audit Requirements

**Management Views:** MSP agrees with the finding.

**Planned Corrective Action:** MSP entered into a memorandum of understanding with the Michigan Department of Education for it to provide administrative subrecipient monitoring services to MSP. The memorandum of understanding was effective October 1, 2011.

**Anticipated Completion Date:** Complied

**Responsible Individual:** Melanie Oudsema, Assistant Director, Departmental Services Division

# GLOSSARY

## Glossary of Acronyms and Terms

American Recovery and Reinvestment Act of 2009 (ARRA)	An economic stimulus package enacted by the 111th United States Congress in February 2009.
<i>Catalog of Federal Domestic Assistance (CFDA)</i>	The catalog that provides a full listing, with detailed program descriptions, of all federal programs available to state and local governments.
cluster	A grouping of closely related federal programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements of OMB Circular A-133.
<i>Code of Federal Regulations (CFR)</i>	The codification of the general and permanent rules published by the departments and agencies of the federal government.
deficiency in internal control over federal program compliance	The design or operation of a control over compliance that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.
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 and correct, misstatements on a timely basis.

DNA	deoxyribonucleic acid.
FFR	federal financial report.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules 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.
JAG	Justice Assistance Grant.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual single audit and it meets other criteria related to prior audit results. In accordance with State statute, this single audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules that causes the schedules 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 noncompliance	Violations of laws, regulations, contracts, and grants that could have a direct and material effect on major federal programs or on financial schedule amounts.

material weakness in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.
material weakness in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial schedules will not be prevented, or detected and corrected, on a timely basis.
MSP	Michigan Department of State Police.
pass-through entity	A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.
PSIC	Public Safety Interoperable Communications.
questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
significant deficiency in internal control over federal program compliance	A deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

significant deficiency in internal control over financial reporting	A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
single audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a single audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.
<i>SOMCAFR</i>	<i>State of Michigan Comprehensive Annual Financial Report.</i>
subrecipient	A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.
unqualified opinion	<p>An auditor's opinion in which the auditor states that:</p> <ol style="list-style-type: none"> <li data-bbox="610 1377 1440 1507">a. The financial schedules presenting the basic financial information of the audited entity are fairly presented in conformity with the disclosed basis of accounting; or</li> <li data-bbox="610 1560 1440 1778">b. The financial schedule presenting supplemental financial information is fairly stated in relation to the basic financial schedules. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedule to the extent</li> </ol>

necessary to form an opinion on the basic financial schedules, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedule taken by itself.

- c. The audited entity complied, in all material respects, with the cited requirements that are applicable to each major federal program.

U.S. Office of  
Management and  
Budget (OMB)

A cabinet-level office that assists the President in overseeing the preparation of the federal budget and in supervising its administration in executive branch agencies.





