



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

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Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit

*Michigan Justice Training Fund
 Michigan Commission on Law Enforcement Standards
 Michigan Department of State Police
 October 1, 2009 through September 30, 2011*

Report Number:
 551-0101-12

Released:
 July 2012

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 Michigan Justice Training Fund (MJTF) was conducted in accordance with Section 18.429 of the Michigan Compiled Laws.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on MJTF'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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Background:

MJTF is a restricted subfund within the State of Michigan's General Fund that receives a percentage of court fines, fees, and assessments collected by the

courts as outlined in Section 600.181 of the *Michigan Compiled Laws*. The Michigan Commission on Law Enforcement Standards and the Michigan Department of State Police are responsible for the legally required distribution of the funds from MJTF.

Act 302, P.A. 1982, as amended, requires 60% of the funds to be distributed to law enforcement agencies for in-service criminal justice training of their law enforcement officers on a per capita basis.

Act 302 also requires the distribution of 40% of the funds, less administrative costs, on a competitive grant basis to State and local agencies providing in-service criminal training programs for criminal justice training entities. The competitive grant distribution is made based on a review of submitted applications.

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<http://audgen.michigan.gov>



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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

July 27, 2012

Chief Doreen E. Olko, Chair
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
106 West Allegan Street, Suite 600
Lansing, Michigan
and
Colonel Kriste Kibbey Etue, Director
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Chief Olko and Colonel Etue:

This is our report on the financial audit of the Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards, Michigan Department of State Police, for the period October 1, 2009 through September 30, 2011. This financial audit was conducted in accordance with Section 18.429 of the *Michigan Compiled Laws*.

This report contains our report summary, our independent auditor's report on the financial schedules, and the Michigan Justice Training 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 and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during the 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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Independent Auditor's Report on the Financial Schedules

Chief Doreen E. Olko, Chair
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
106 West Allegan Street, Suite 600
Lansing, Michigan
and
Colonel Kriste Kibbey Etue, Director
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Chief Olko and Colonel Etue:

We have audited the accompanying financial schedules of the Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards, 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 Michigan Commission on Law Enforcement Standards' management and 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 described in Note 1, the financial schedules present only the revenues and the sources and disposition of authorizations for the Michigan Justice Training 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 Michigan Commission on Law Enforcement Standards 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 Michigan Justice Training Fund 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 July 11, 2012 on our consideration of the Michigan Commission on Law Enforcement Standards' 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 is presented for purposes of additional analysis and is not a required part of the Michigan Justice Training 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.

Sincerely,


Thomas H. McTavish, C.P.A.
Auditor General
July 11, 2012

MICHIGAN JUSTICE TRAINING FUND
 Michigan Commission on Law Enforcement Standards
 Michigan Department of State Police
 Schedule of Revenues
Fiscal Years Ended September 30

	2011	2010
REVENUES		
Miscellaneous revenues:		
Court fines, fees, and assessments (Note 2)	\$ 5,517,479	\$ 5,944,952
Other miscellaneous revenue	121,137	27,343
Total revenues	\$ 5,638,616	\$ 5,972,295

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

MICHIGAN JUSTICE TRAINING FUND
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
Schedule of Sources and Disposition of Authorizations
Fiscal Years Ended September 30

	<u>2011</u>	<u>2010</u>
SOURCES OF AUTHORIZATIONS (Note 3)		
Balances carried forward	\$ 4,650,252	\$ 5,552,105
Restricted financing sources	<u>5,638,616</u>	<u>5,972,295</u>
Total	<u>\$ 10,288,868</u>	<u>\$ 11,524,400</u>
DISPOSITION OF AUTHORIZATIONS (Note 3)		
Expenditures	<u>\$ 5,821,302</u>	<u>\$ 6,874,148</u>
Balances carried forward:		
Restricted revenues - not authorized or used	<u>\$ 4,467,566</u>	<u>\$ 4,650,252</u>
Total balances carried forward	<u>\$ 4,467,566</u>	<u>\$ 4,650,252</u>
Total	<u>\$ 10,288,868</u>	<u>\$ 11,524,400</u>

The accompanying notes are an intergral 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 Justice Training Fund* (MJTF), Michigan Commission on Law Enforcement Standards (MCOLES), Michigan Department of State Police (MSP), for the fiscal years ended September 30, 2011 and September 30, 2010. The financial transactions of MJTF are accounted for in the State's General Fund as a restricted subfund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to MJTF. 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 the sources and disposition of authorizations for MJTF's accounts.

* See glossary at end of report for definition.

Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either MCOLES or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

Note 2 Court Fines, Fees, and Assessments

MJTF receives a percentage distribution from the Justice System Fund, based on fines, fees, and assessments collected by Michigan courts, as outlined in Section 600.181 of the *Michigan Compiled Laws*. Justice System Fund collections have decreased an average of 4.4% per year since fiscal year 2005-06, resulting in a corresponding decrease in MJTF revenue.

MCOLES and MSP are responsible for the distribution of the funds from MJTF in accordance with Act 302, P.A. 1982, as amended. MCOLES distributes 60% of the funds to law enforcement agencies for in-service criminal justice training of their law enforcement officers on a per capita basis. MCOLES also distributes 40% of the funds, less administrative costs, on a competitive grant* basis to State and local agencies providing in-service criminal training programs for criminal justice entities*. MSP and the other State agencies record revenues received from MJTF and related expenditures in their department General Fund accounts.

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. 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. Statute allows that any amounts received in excess of the appropriation are, at year-end, carried forward to the next fiscal year as restricted revenues - not authorized or used.

* See glossary at end of report for definition.

- b. Expenditures: MJTF's expenditures include administrative costs, law enforcement agency distributions*, and competitive grants for in-service criminal justice training. MJTF's distributions were in accordance with Act 302, P.A. 1982, as amended.

- c. 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.

** See glossary at end of report for definition.*

SUPPLEMENTAL
FINANCIAL SCHEDULE

MICHIGAN JUSTICE TRAINING FUND
 Michigan Commission on Law Enforcement Standards
 Michigan Department of State Police
 Schedule of Expenditures
Fiscal Years Ended September 30

	<u>2011</u>	<u>2010</u>
EXPENDITURES		
Salaries, wages, and fringe benefits	\$ 568,328	\$ 601,555
Travel related	19,740	10,061
Mailing and postage	3,246	3,488
Other purchased services	175,966	140,816
Other miscellaneous and contractual services	3,065	2,766
Equipment purchases and lease/rental payments	12,893	
Rent and building occupancy	29,800	29,200
Supplies	10,610	3,685
Statutory law enforcement distribution	3,377,910	3,619,253
Statutory competitive grant expenditures	<u>1,619,743</u>	<u>2,463,324</u>
 Total expenditures	 <u>\$ 5,821,302</u>	 <u>\$ 6,874,148</u>

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL AND COMPLIANCE



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

Chief Doreen E. Olko, Chair
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
106 West Allegan Street, Suite 600
Lansing, Michigan
and
Colonel Kriste Kibbey Etue, Director
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Chief Olko and Colonel Etue:

We have audited the financial schedules of the Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards, 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 July 11, 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 Michigan Commission on Law Enforcement Standards is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Michigan Commission on Law Enforcement Standards' 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 Michigan Commission on Law Enforcement Standards' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Michigan Commission on Law Enforcement Standards' 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 Michigan Justice Training 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*.

This report is intended solely for the information and use of the Governor, the Legislature, the Michigan Commission on Law Enforcement Standards, management, and others within the entity 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
July 11, 2012

GLOSSARY

Glossary of Acronyms and Terms

competitive grants	The distribution of 40% of the Michigan Justice Training Fund, less administrative costs, to State and local agencies providing in-service criminal justice training programs based on a review of submitted applications.
criminal justice entities	The entities involved in the criminal justice process, including law enforcement agencies, prosecutors, criminal defense counsel, courts, and correctional entities.
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.
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.
law enforcement agency distribution	The distribution of 60% of the Michigan Justice Training Fund to law enforcement agencies, made on a per capita basis, for the direct costs of in-service criminal justice training of certified law enforcement officers.

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 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.
MCOLES	Michigan Commission on Law Enforcement Standards.
Michigan Justice Training Fund (MJTF)	A fund created within the State's General Fund used to provide funds for training law enforcement officials and others in the criminal justice community.
MSP	Michigan Department of State Police.
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.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>
unqualified opinion	An auditor's opinion in which the auditor states that: <ul style="list-style-type: none"> 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 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 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.

