

## EXECUTIVE DIGEST

### MICHIGAN DEPARTMENT OF STATE POLICE

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#### **INTRODUCTION**

This report contains the results of our financial audit, including the provisions of the Single Audit Act, of the Michigan Department of State Police (MSP) for the period October 1, 1993 through September 30, 1995.

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#### **AUDIT PURPOSE**

This financial audit of MSP was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act of 1984 and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*.

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#### **BACKGROUND**

MSP's mission\* is to provide leadership, coordination, and delivery of law enforcement and support services for the safety and protection of people and property. The director of MSP is appointed by and serves at the discretion of the Governor. The director is charged with the responsibilities of establishing a highway patrol, cooperating with peace officers for the purposes of prevention and discovery of

crimes, apprehending criminals, and preserving law and order throughout the State.

MSP had 2,113 enlisted and 968 civilian employees as of September 30, 1995. MSP expenditures and operating transfers out totaled approximately \$289 million in fiscal year 1994-95.

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**AUDIT  
OBJECTIVES  
AND  
CONCLUSIONS**

**Audit Objective:** To assess the adequacy of MSP's internal control structure\*, including applicable administrative controls related to the management of federal financial assistance programs.

**Conclusion:** Our assessment identified one material weakness\*:

- MSP had not maintained an effective internal control structure over the coding of its revenue transactions to ensure that all revenues were properly recorded (Finding 1).

MSP agreed with this recommendation and has taken steps to comply.

Our assessment also disclosed other reportable conditions\* pertaining to MSP's monitoring of subrecipients\*, schedule of federal financial assistance, and expenditure controls (Findings 2 through 4).

Also, our assessment indicated that MSP was in substantial compliance with the requirements set forth in Sections

18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control. However, we noted a reportable condition related to MSP's internal audit activity (Finding 5).

**Audit Objective:** To assess MSP's compliance with both State and federal laws and regulations that could have a material effect on either MSP's financial schedules or any of its major federal financial assistance programs.

**Conclusion:** Our assessment of compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on MSP's financial schedules or any of its major federal financial assistance programs. However, our assessment did disclose instances of noncompliance pertaining to monitoring the expenditure of federal funds distributed to subrecipients (Finding 2) and recovering indirect costs from federal grants (Finding 6). The reportable noncompliance pertaining to monitoring the expenditure of federal funds distributed to subrecipients is also considered a reportable condition related to MSP's internal control structure and, as such, is reported under our internal control structure audit objective.

**Audit Objective:** To audit MSP's financial schedules for the fiscal years ended September 30, 1995 and September 30, 1994.

**Conclusion:** We expressed an unqualified opinion on the financial schedules for the fiscal years ended September 30, 1995 and September 30, 1994.

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**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the Michigan Department of State Police for the period October 1, 1993 through September 30, 1995. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit objective for the assessment of the internal control structure included an evaluation of MSP's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

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**AGENCY  
RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit includes 6 findings and 6 corresponding recommendations. MSP agreed with 5 recommendations and disagreed with 1 recommendation. MSP informed us that it has implemented or is in the process of implementing all of the recommendations with which it concurred.

MSP had complied with 4 of the 8 prior audit recommendations included within the scope of our current audit. MSP had partially complied with 2 other prior audit recommendations, and we are repeating 2 prior audit recommendations in this audit report.