

# Office of the Auditor General

Financial Audit Including Report on Internal Control, Compliance, and  
Other Matters

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## **Michigan Justice Training Fund**

Michigan Commission on Law Enforcement Standards  
Michigan Department of State Police

Fiscal Years Ended September 30, 2015 and September 30, 2014

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State of Michigan Auditor General  
Doug A. Ringler, CPA, CIA

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**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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Office of the Auditor General

## Report Summary

*Financial Audit Including Report on Internal Control, Compliance, and Other Matters  
Michigan Justice Training Fund  
Michigan Commission on Law Enforcement Standards  
Michigan Department of State Police  
Fiscal Years Ended September 30, 2015  
and September 30, 2014*

**Report Number:**  
551-0101-16

**Released:**  
September 2016

The Michigan Justice Training Fund (MJTF) was created within the State's General Fund to provide funds for training law enforcement officials and others in the criminal justice community. This financial audit of MJTF was required by Section 18.429 of the *Michigan Compiled Laws*.

### Auditor's Report Issued

UNMODIFIED OPINION

MODIFIED OPINION

We issued an unmodified opinion on the MJTF financial schedule to reflect that it was fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

### Report on Internal Control, Compliance, and Other Matters

This report does not contain any findings.

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: [www.audgen.michigan.gov](http://www.audgen.michigan.gov)

Office of the Auditor General  
201 N. Washington Square, Sixth Floor  
Lansing, Michigan 48913

**Doug A. Ringler, CPA, CIA**  
Auditor General

**Laura J. Hirst, CPA**  
Deputy Auditor General





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Office of the Auditor General

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**Doug A. Ringler, CPA, CIA**  
Auditor General

September 15, 2016

Sheriff Jerry L. Clayton, 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  
7150 Harris Drive  
Dimondale, Michigan

Dear Sheriff Clayton 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 fiscal years ended September 30, 2015 and September 30, 2014. This financial audit was required by Section 18.429 of the *Michigan Compiled Laws*.

This report contains our report summary, our independent auditor's report on the financial schedule and other reporting required by *Government Auditing Standards*, and the schedule of sources and uses of Michigan justice training funds. 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 abbreviations and terms.

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

Sincerely,

Doug Ringler  
Auditor General



## TABLE OF CONTENTS

### MICHIGAN JUSTICE TRAINING FUND

	<u>Page</u>
Report Summary	1
Report Letter	3
Independent Auditor's Report on the Financial Schedule and Other Reporting Required by <i>Government Auditing Standards</i>	8
Michigan Justice Training Fund Financial Schedule	
Schedule of Sources and Uses of Michigan Justice Training Funds	10
Notes to the Financial Schedule	11
Report on Internal Control, Compliance, and Other Matters and Prior Audit Follow-Up	14
Glossary of Abbreviations and Terms	17



# INDEPENDENT AUDITOR'S REPORT AND FINANCIAL SCHEDULE



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**Doug A. Ringler, CPA, CIA**  
Auditor General

Independent Auditor's Report on the Financial Schedule  
and Other Reporting Required by *Government Auditing Standards*

Sheriff Jerry L. Clayton, 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  
7150 Harris Drive  
Dimondale, Michigan

Dear Sheriff Clayton and Colonel Etue:

**Report on the Financial Schedule**

We have audited the accompanying financial schedule of the Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards, Michigan Department of State Police, for the fiscal years ended September 30, 2015 and September 30, 2014 and the related notes to the financial schedule as listed in the table of contents.

***Management's Responsibility for the Financial Schedule***

Management is responsible for the preparation and fair presentation of the financial schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial schedule that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial schedule 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 schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial schedule referred to in the first paragraph presents fairly, in all material respects, the sources and uses of Michigan justice training funds for the fiscal years ended September 30, 2015 and September 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial schedule presents only the sources and uses of Michigan justice training funds. Accordingly, this schedule does not purport to, and does not, present a complete financial presentation of either the Michigan Commission on Law Enforcement Standards or the State's General Fund as of September 30, 2015 and September 30, 2014 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Michigan Commission on Law Enforcement Standards' internal control over financial reporting and compliance.

Sincerely,



Doug Ringler  
Auditor General  
July 21, 2016

MICHIGAN JUSTICE TRAINING FUND  
Michigan Commission on Law Enforcement Standards  
Michigan Department of State Police  
Schedule of Sources and Uses of Michigan Justice Training Funds  
Fiscal Years Ended September 30

	<u>2015</u>	<u>2014</u>
<b>SOURCES</b>		
Carried forward balances from prior year	\$ 2,611,120	\$ 3,216,551
Revenues:		
Court fines, fees, and assessments (Note 2)	5,391,253	5,255,142
Other miscellaneous revenue	14,750	28,266
Total sources	<u>\$ 8,017,123</u>	<u>\$ 8,499,959</u>
<b>USES</b>		
Distributions and grant expenditures (Note 3):		
Law enforcement distributions	\$ 3,182,748	\$ 3,181,931
Competitive grant expenditures	1,232,056	1,085,485
Administrative expenditures:		
Salaries, wages, and fringe benefits	1,309,459	1,072,738
Travel related	15,760	28,355
Mailing and postage	3,101	2,378
Other purchased services	583,245	455,337
Other miscellaneous and contractual services	1,995	4,147
Equipment purchases and lease/rental payments	5,096	5,435
Rent and building occupancy	46,600	44,600
Supplies	9,084	8,433
Total uses	<u>\$ 6,389,144</u>	<u>\$ 5,888,839</u>
Balances carried forward:		
Restricted revenues - Not authorized or used (Note 4)	\$ 1,627,979	\$ 2,611,120

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

## NOTES TO THE FINANCIAL SCHEDULE

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### Note 1

#### Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedule reports the sources and uses of Michigan justice training funds for the fiscal years ended September 30, 2015 and September 30, 2014. The financial transactions of the Michigan Justice Training Fund\* (MJTF), Michigan Commission on Law Enforcement Standards (MCOLES), Michigan Department of State Police, 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)*.

These notes relate directly to the financial schedule. 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 schedule contained in this report is 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.

The financial schedule presents only the sources and uses for MJTF's accounts. Accordingly, the financial schedule does not purport to, and does 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

\* See glossary at end of report for definition.

Michigan courts, as outlined in Section 600.181 of the *Michigan Compiled Laws*. These revenues are authorized for expenditure up to the amount appropriated.

**Note 3**

Expenditures

Section 18.423 of the *Michigan Compiled Laws* provides for the distribution of Michigan justice training funds. Semiannually, MCOLES distributes on a per capita basis 60% of MJTF revenues, plus amounts returned from prior year distributions, to law enforcement agencies for in-service criminal justice training of their law enforcement officers. Also, annually, MCOLES calculates competitive grant\* awards for the remaining MJTF revenues, less administrative costs, plus amounts recovered from disallowed prior year competitive grant award expenditures and relinquished prior year competitive grant award obligations. MCOLES distributes competitive grant awards on a reimbursement basis to State and local agencies providing in-service criminal justice training programs for employees of criminal justice entities\*. The Michigan Department of State Police and the other State agencies record revenues received from MJTF and related expenditures in their department General Fund accounts.

**Note 4**

Balances Carried Forward: Restricted Revenues - Not Authorized or Used

These are unspent MJTF revenues that, by statute, are restricted to MJTF programs. These balances are subject to legislative appropriation before they can be expended in future years. The components of the carry-forward include unobligated current year revenue, undistributed competitive grant award obligations, amounts recovered from disallowed prior year competitive grant award expenditures, and relinquished prior year competitive grant award obligations.

\* See glossary at end of report for definition.

REPORT ON INTERNAL CONTROL,  
COMPLIANCE, AND OTHER MATTERS  
AND PRIOR AUDIT FOLLOW-UP



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**Doug A. Ringler, CPA, CIA**  
Auditor General

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

Sheriff Jerry L. Clayton, 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  
7150 Harris Drive  
Dimondale, Michigan

Dear Sheriff Clayton and Colonel Etue:

We have audited, in accordance with the 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, the financial schedule of the Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards, Michigan Department of State Police, for the fiscal years ended September 30, 2015 and September 30, 2014 and the related notes to the financial schedule and have issued our report thereon dated July 21, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial schedule, we considered the Michigan Commission on Law Enforcement Standards' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial schedule, but not for the purpose of expressing an opinion on the effectiveness of the Michigan Commission on Law Enforcement Standards' internal control. Accordingly, we do not express an opinion on the effectiveness of the Michigan Commission on Law Enforcement Standards' internal control.

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 schedule will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Michigan Justice Training Fund financial schedule is free from material misstatement, we performed tests of the Michigan Commission on Law Enforcement Standards' 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*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Doug Ringler  
Auditor General  
July 21, 2016

**PRIOR AUDIT  
FOLLOW-UP**

Below is the status of the reported finding from our financial audit of the Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards, Michigan Department of State Police (551-0101-14), for the fiscal years ended September 30, 2013 and September 30, 2012, issued in June 2014:

<u>Prior Audit Finding Number</u>	<u>Topic Area</u>	<u>Current Status</u>	<u>Current Finding Number</u>
1	Unobligated Funds	Complied	Not applicable

## **GLOSSARY OF ABBREVIATIONS AND TERMS**

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competitive grants	The distribution of 40% of Michigan justice training funds, 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 accordance with the applicable financial reporting framework.
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.
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, and, where applicable, cash flows thereof, in accordance with the applicable financial reporting framework.
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.
modified opinion	A qualified opinion, an adverse opinion, or a disclaimer of opinion.

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*

*State of Michigan Comprehensive Annual Financial Report.*

unmodified opinion

The opinion expressed by the auditor when the auditor, having obtained sufficient appropriate audit evidence, concludes that the financial schedules are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.







