MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

FINANCIAL AUDIT
OF THE

COMMERCIAL MOBILE RADIO SERVICE EMERGENCY TELEPHONE FUND

DEPARTMENT OF TREASURY AND
MICHIGAN DEPARTMENT OF STATE POLICE

October 1, 2003 through September 30, 2005

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

271-0265-06

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

– Article IV, Section 53 of the Michigan Constitution

Audit report information can be accessed at:
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Michigan

Office of the Auditor General

REPORT SUMMARY

Financial Audit

Commercial Mobile Radio Service Emergency Telephone Fund

Department of Treasury and Michigan Department of State Police

October 1, 2003 through September 30, 2005

Report Number:
271-0265-06

Released:
December 2006

A financial audit determines if the financial schedules are fairly presented, considers internal control over financial reporting, and determines compliance with State compliance requirements material to the financial schedules. This financial audit of the Commercial Mobile Radio Service (CMRS) Emergency Telephone Fund was required by Act 78, P.A. 1999.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on the CMRS Emergency Telephone Fund'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:

The CMRS Emergency Telephone Fund was established by Act 78, P.A. 1999. The Fund was created to implement Act 32, P.A. 1986, known as the Emergency Telephone Service Enabling Act, and the Federal Communications Commission's wireless emergency service order. The emergency wireless service order provides for enhanced 911 service to identify the location and telephone number of a mobile telephone caller. Act 244, P.A. 2003, revised the service fees and allowable expenditures of the Fund and Act 89, P.A. 2004, revised allowable expenditures from the restricted revenues - not authorized/not used. During our audit fieldwork, Act 249, P.A. 2006, extended the wireless emerging service order from December 31, 2006 to December 31, 2007.

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

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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

December 28, 2006

Sheriff Dale R. Gribler, Chair
Emergency Telephone Service Committee
and
Mr. Robert J. Kleine
State Treasurer
Richard H. Austin Building
Lansing, Michigan

Colonel Peter C. Munoz, Director
Michigan Department of State Police
714 South Harrison Road
East Lansing, Michigan

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

This is our report on the financial audit of the Commercial Mobile Radio Service Emergency Telephone Fund, Department of Treasury and Michigan Department of State Police, for the period October 1, 2003 through September 30, 2005.

This report contains our report summary; our independent auditor's report on the financial schedules; and the Commercial Mobile Radio Service Emergency Telephone Fund financial schedules, notes to the 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 this audit.

Sincerely,

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

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DEPARTMENT OF TREASURY AND MICHIGAN DEPARTMENT OF STATE POLICE

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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

Sheriff Dale R. Gribler, Chair
Emergency Telephone Service Committee
and
Mr. Robert J. Kleine
State Treasurer
Richard H. Austin Building
Lansing, Michigan

Colonel Peter C. Munoz, Director
Michigan Department of State Police
714 South Harrison Road
East Lansing, Michigan

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

We have audited the accompanying financial schedules of the Commercial Mobile Radio Service Emergency Telephone Fund, Department of Treasury and Michigan Department of State Police, for the fiscal years ended September 30, 2005 and September 30, 2004, as identified in the table of contents. These financial schedules are the responsibility of the Commercial Mobile Radio Service Emergency Telephone Fund's management and both Departments' management. Our responsibility is to express an opinion on these financial schedules based on our audit.

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

As described in Note 1, the financial schedules present only the revenues and the sources and disposition of authorizations for the Commercial Mobile Radio Service

Emergency Telephone 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 Commercial Mobile Radio Service Emergency Telephone Fund or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and the sources and disposition of authorizations of the Commercial Mobile Radio Service Emergency Telephone Fund for the fiscal years ended September 30, 2005 and September 30, 2004 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006 on our consideration of the Commercial Mobile Radio Service Emergency Telephone Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The supplemental financial schedule, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the Commercial Mobile Radio Service Emergency Telephone 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

Thomas H. McTavish, C.P.A.
Auditor General
September 15, 2006

COMMERCIAL MOBILE RADIO SERVICE EMERGENCY TELEPHONE FUND
Department of Treasury and Michigan Department of State Police
Schedule of Revenues
Fiscal Years Ended September 30

	2005	2004
REVENUES		
Tax Revenue:		
Commercial mobile radio service tax	$ 29,239,073	$ 28,808,968
Miscellaneous Revenues:		
Common cash earnings - Nonoperating	951,521	530,326
Refund of prior year expenditure	5,242	
Total Revenues	$ 30,195,836	$ 29,339,294

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

COMMERCIAL MOBILE RADIO SERVICE EMERGENCY TELEPHONE FUND
Department of Treasury and Michigan Department of State Police
Schedule of Sources and Disposition of Authorizations
Fiscal Years Ended September 30

	2005	2004
SOURCES OF AUTHORIZATIONS (Note 2)		
Balances carried forward	$ 32,367,523	$ 40,800,522
Restricted financing sources	30,195,836	29,339,294
Total	$ 62,563,359	$ 70,139,816
DISPOSITION OF AUTHORIZATIONS (Note 2)		
Expenditures and transfers out:		
Commercial mobile radio service (CMRS) suppliers	$ 10,966,543	$ 8,283,944
Counties - Equal distributions	6,260,523	5,878,150
Counties - Per capita distributions	9,390,149	8,816,542
Public safety answering points	788,378	920,900
State police priority issues		1,867,909
State police administration	317,906	4,848
State Building Authority public safety communications		12,000,000
Total expenditures and transfers out	$ 27,723,499	$ 37,772,293
Balances carried forward:		
Restricted revenues - not authorized/not used	34,839,860	32,367,523
Total	$ 62,563,359	$ 70,139,816

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

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Commercial Mobile Radio Service* (CMRS) Emergency Telephone Fund, Department of Treasury and Michigan Department of State Police, for the fiscal years ended September 30, 2005 and September 30, 2004. The financial transactions of the Fund are accounted for in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report* (*SOMCAFR*).

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

The CMRS Emergency Telephone Fund was established by Act 78, P.A. 1999. The Fund was created to implement Act 32, P.A. 1986, known as the Emergency Telephone Service Enabling Act, and the Federal Communications Commission's wireless emergency service order. The emergency wireless service order provides for enhanced 911 service to identify the location and telephone number of a mobile telephone caller. In addition, the Emergency Telephone Service Enabling Act established the Emergency Telephone Service Committee within the Michigan Department of State Police. The Committee provides recommendations on technical and operational statewide standards for preparing and implementing 911 service and also authorizes the distribution of money from the Fund. Act 244, P.A. 2003, revised the service fees and allowable expenditures of the Fund. Act 89, P.A. 2004, revised allowable expenditures from the restricted revenues - not authorized/not used.

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

b. Measurement Focus, Basis of Accounting, and Presentation

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

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

Note 2 Schedule of Sources and Disposition of Authorizations

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

a. Balances carried forward: Restricted revenues - not authorized/not used that were not spent as of the end of the prior fiscal year. Annual legislative appropriation is required to authorize the expenditure of the restricted revenues.

b. Restricted financing sources: Collections of restricted revenues to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Any amounts not expended at year-end are carried forward to the next fiscal year as restricted revenues - not authorized/not used.

c. Expenditures and transfers out:

(1) CMRS suppliers*: These expenditures represent costs incurred by CMRS suppliers for providing and installing equipment that implements the wireless emergency service order. The submission of an invoice and approval by the Emergency Telephone Service Committee are required before funds can be distributed to the CMRS suppliers.

(2) Counties - Equal distributions: These expenditures represent distributions made by the Department of Treasury to counties that were wireless phase I* and wireless phase II* compliant for implementing the wireless emergency service order.

(3) Counties - Per capita distributions: These expenditures represent distributions made by the Department of Treasury to counties that were wireless phase I and wireless phase II compliant, based on the county populations, for implementing the wireless emergency service order.

(4) Public safety answering points*: These expenditures represent payments to public safety answering points for training personnel assigned to 911 centers. The submission of a request for funds and approval by the Emergency Telephone Service Committee are required before funds can be distributed to the public safety answering points.

(5) State police priority issues: These expenditures represent costs incurred by the Michigan Department of State Police to prioritize and fund issues for 911 coverage as approved by the Legislature.

(6) State police administration: These expenditures represent costs incurred by the Michigan Department of State Police for administration of the enhanced 911 service and the 911 coordinator.

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

(7) State Building Authority public safety communications: These transfers represent funds transferred to the State Building Authority for rental obligations under the bonds issued to finance the Michigan public safety communication system project as required by Act 89, P.A. 2004.

d. Restricted revenues - not authorized/not used (carried forward): Revenues that, by statute, are restricted for use to a particular program or activity. However, the expenditure of the restricted revenues is subject to annual legislative appropriation.

Note 3 Subsequent Event

Act 249, P.A. 2006, extended the wireless emergency service order (Act 32, P.A. 1986, as amended) from December 31, 2006 to December 31, 2007.

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SUPPLEMENTAL
FINANCIAL SCHEDULE

COMMERCIAL MOBILE RADIO SERVICE EMERGENCY TELEPHONE FUND
Department of Treasury and Michigan Department of State Police
Schedule of Restricted Revenues - Not Authorized/Not Used
Fiscal Years Ended September 30

	2005	2004
RESTRICTED REVENUES - NOT AUTHORIZED/NOT USED		
Commercial mobile radio service suppliers	$ 33,072,035	$ 31,345,228
Public safety answering points	946,137	778,732
State police administration operations	598,334	243,563
State police administration coordinator	223,354	
Total Restricted Revenues - Not Authorized/Not Used	$ 34,839,860	$ 32,367,523

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE

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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

Sheriff Dale R. Gribler, Chair
Emergency Telephone Service Committee
and
Mr. Robert J. Kleine
State Treasurer
Richard H. Austin Building
Lansing, Michigan

Colonel Peter C. Munoz, Director
Michigan Department of State Police
714 South Harrison Road
East Lansing, Michigan

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

We have audited the financial schedules of the Commercial Mobile Radio Service Emergency Telephone Fund, Department of Treasury and Michigan Department of State Police, for the fiscal years ended September 30, 2005 and September 30, 2004, as identified in the table of contents, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commercial Mobile Radio Service Emergency Telephone Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commercial Mobile Radio Service Emergency Telephone 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 State's management and the Legislature 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
September 15, 2006

GLOSSARY

CMRS supplier	A person or private, governmental, or other legal entity providing a telephone service or a CMRS to a service user in the State.
commercial mobile radio service (CMRS)	Certain communications services and equipment regulated by the Federal Communications Commission. CMRS includes wireless two-way communications devices, including cellular telephones, radio telecommunications lines used in providing cellular telephone services, and network radio access lines.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
internal control	A process, effected by management, designed to provide reasonable assurance regarding 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 and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the changes in financial position or cash flows in conformity with the disclosed basis of accounting.
material weakness	A reportable condition related to the design or operation of internal control that does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

public safety answering point	A communications facility operated on a 24-hour basis assigned the responsibility by a public agency or county to receive 911 calls and to dispatch public safety response services.
reportable condition	A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements.
SOMCAFR	*State of Michigan Comprehensive Annual Financial Report.*
unqualified opinion	An auditor's opinion in which the auditor states that: a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules taken by themselves.

wireless phase I	Required by the Federal Communications Commission Report and Order 96-264 pursuant to Notice of Proposed Rulemaking 94-102; the delivery of a wireless 911 call with callback number and identification of the cell-sector from which the call originated.
wireless phase II	Required by the Federal Communications Commission Report and Order 96-264 pursuant to Notice of Proposed Rulemaking 94-102; the delivery of a wireless 911 call with phase I requirements plus location of the caller within 100 meters 67% of the time for network-based caller location systems and within 50 meters 67% of the time for handset-based location systems.

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