

PERFORMANCE AND FINANCIAL AUDIT
OF THE

MICHIGAN JUSTICE TRAINING FUND

MICHIGAN COMMISSION ON LAW ENFORCEMENT STANDARDS
MICHIGAN DEPARTMENT OF STATE POLICE

October 1, 2001 through September 30, 2003

“...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

Performance and Financial Audit
Michigan Justice Training Fund (MJTF)
Michigan Commission on Law Enforcement
Standards (MCOLES)
Michigan Department of State Police

Report Number:
 55-101-03

Released:
 November 2004

MCOLES is responsible for distributing funds from MJTF in accordance with Act 302, P.A. 1982. MCOLES makes a law enforcement distribution, totaling 60% of the funds, on a per capita basis to be used for in-service criminal justice training. MCOLES is also responsible for distributing 40% of the funds on a competitive grant basis to State and local agencies providing in-service criminal training programs.

Audit Objective:

To assess the effectiveness and efficiency of MCOLES in administering MJTF.

Audit Conclusion:

We determined that MCOLES was generally effective in administering MJTF.

Noteworthy Accomplishments:

MCOLES worked toward completion of a strategic plan, which was designed to meet the objectives of Executive Order No. 2001-5.

Reportable Conditions:

MCOLES needs to improve its monitoring process to verify expenditures reported by recipients of law enforcement distributions and competitive grants (Finding 1).

MCOLES did not have an effective and efficient grant process to ensure the timely receipt of required reports and the timeliness of payments to its grantees (Finding 2).

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Audit Objective:

To audit the MJTF financial schedules for the fiscal years ended September 30, 2003 and September 30, 2002.

Audit Conclusion:

We expressed an unqualified opinion on the MJTF financial schedules.

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Audit Objective:

To assess and report on MCOLES's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules and on its internal control over financial reporting, based on our audit of the financial schedules.

Audit Conclusion:

Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our

assessment of internal control over financial reporting did not disclose any material weaknesses.

Reportable Condition:

MCOLES did not verify that MJTF revenue received was complete (Finding 3).

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Agency Response:

Our audit report contains 3 findings and 3 corresponding recommendations. The agency's preliminary responses indicate that MCOLES agrees and will comply with all of the recommendations.

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

November 16, 2004

Colonel Tadarial J. Sturdivant, Director
Michigan Department of State Police
714 South Harrison Road
East Lansing, Michigan

Dear Colonel Sturdivant:

This is our report on the performance and financial audit of the Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards, Michigan Department of State Police. The financial portion of our audit covered the period October 1, 2001 through September 30, 2003.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; and comments, findings, recommendations, and agency preliminary responses. This report also contains our independent auditor's report on the financial schedules and the Michigan Justice Training Fund's financial schedules, notes to the financial schedules, and supplemental financial schedule. In addition, this report contains our independent auditor's report on compliance and on internal control over financial reporting and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

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

AUDITOR GENERAL

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Description of Agency

The Michigan Department of State Police oversees the Michigan Justice Training Fund* (MJTF) in accordance with Executive Reorganization Order No. 1993-5. MJTF was created by Act 302, P.A. 1982 (Sections 18.421 - 18.429 of the *Michigan Compiled Laws*), and is funded by an assessment of \$5 for certain civil infractions of the Michigan Vehicle Code (Section 257.907 of the *Michigan Compiled Laws*). Starting on October 1, 2003, MJTF obtained funding by a percentage of funds received from the courts and collected by the Justice System Fund* in accordance with Act 97, P.A. 2003. Act 302, P.A. 1982, also created a Michigan Justice Training Commission, whose responsibility was to oversee the disbursement of the funds; Executive Order No. 2001-5 replaced the Michigan Justice Training Commission with the Michigan Commission on Law Enforcement Standards (MCOLES). MCOLES, with assistance from its staff, distributes the funds to the criminal justice community* for in-service criminal justice training* of its law enforcement officers and distributes training grants to local units based on need and training to be provided:

a. Law Enforcement Distributions* (LEDs)

Sixty percent of MJTF is distributed annually to law enforcement agencies on a formula basis for in-service criminal justice training for certified law enforcement officers*. The distribution is made on a per capita basis of the number of certified, full-time sworn law enforcement officers employed. LEDs from MJTF for fiscal years 2002-03 and 2001-02 totaled approximately \$3.6 million and \$4.3 million, respectively.

b. Competitive Grants*

Forty percent of MJTF, less administrative costs, is distributed on a competitive grant basis to State and local agencies providing in-service criminal justice training programs for all areas of the criminal justice community. The distribution is made based on a review of submitted applications. Competitive grant distributions from MJTF for fiscal years 2002-03 and 2001-02 totaled approximately \$1.7 million and \$1.6 million, respectively.

MJTF was established as a subfund within the General Fund. The Department of Treasury is responsible for collecting the money, the State Court Administrative Office is responsible for ensuring that the courts submit the fees, and MCOLES and the Michigan Department of State Police are responsible for the distribution of the funds for training.

* See glossary at end of report for definition.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance* and financial* audit of the Michigan Justice Training Fund (MJTF), Michigan Commission on Law Enforcement Standards (MCOLES), Michigan Department of State Police (MSP), had the following audit objectives:

1. To assess the effectiveness* and efficiency* of MCOLES in administering MJTF.
2. To audit the MJTF financial schedules for the fiscal years ended September 30, 2003 and September 30, 2002.
3. To assess and report on MCOLES's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules and on its internal control* over financial reporting, based on our audit of the financial schedules.

Audit Scope

Our scope was to examine the program and other records of the Michigan Justice Training Fund. Also, our audit scope was to examine the financial records for the period October 1, 2001 through September 30, 2003. Our audit was conducted in accordance with *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 we considered necessary in the circumstances.

Audit Methodology

Our audit procedures, performed during the period July through September 2003 and during January 2004, included an examination of MJTF records for the period October 1, 2001 through September 30, 2003.

To accomplish our first objective, we reviewed applicable laws, State statutes and administrative rules, and MSP policies and procedures to gain an understanding of the program requirements applicable to pertinent MCOLES functions for oversight of MJTF. Also, we interviewed MCOLES staff and documented various key processes and

* See glossary at end of report for definition.

associated controls, including the identification of performance measures* to evaluate MCOLES's effectiveness and efficiency.

In addition, we examined a sample of law enforcement distribution (LED) and competitive grant expenditures to determine the effectiveness of the process. We gained an understanding of the systems used for the distribution process. For the LEDs, we obtained rosters to determine that per capita funding was appropriate, that rosters were updated annually, and that they were signed. For the competitive grants, we reviewed grant applications, required financial reports, required performance reports, and evaluations of grant applications and recommendations. These grants were tested for timeliness throughout the process. We also reviewed the information to determine what steps were taken to monitor grant recipients.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 3 findings and 3 corresponding recommendations. The agency's preliminary responses indicate that MCOLES agrees and will comply with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require MSP to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

Within the scope of this audit, we followed up all 7 of the recommendations from our May 1993 performance audit of the Criminal Justice Programs, Office of Contract Management, Department of Management and Budget (#0710593). We also followed up 2 of the 7 recommendations from our June 1999 performance audit of the Michigan Commission on Law Enforcement Standards Division and the Training Division, Office of Organizational Development, Michigan Department of State Police (#5512198). MCOLES had complied with 8 of the 9 prior audit recommendations; the other recommendation was rewritten for inclusion in this report.

* See glossary at end of report for definition.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS IN ADMINISTERING THE MICHIGAN JUSTICE TRAINING FUND (MJTF)

COMMENT

Audit Objective: To assess the effectiveness and efficiency of the Michigan Commission on Law Enforcement Standards (MCOLES) in administering MJTF.

Conclusion: **We determined that MCOLES was generally effective in administering MJTF.** We noted reportable conditions* related to recipient monitoring and the grant process (Findings 1 and 2).

Noteworthy Accomplishments: During the audit, MCOLES worked toward completion of a strategic plan. The strategic plan is designed to meet the objectives of Executive Order No. 2001-5. The strategic plan addressed the following objectives: increase professionalism in the law enforcement profession, increase the number of law enforcement organizations that offer in-service training and the number of law enforcement officers receiving formal training, institute law enforcement in-service training standards applicable to all law enforcement in-service training in Michigan, implement a Web-based information system to assist in communicating MCOLES's goals, and ensure that grants awarded by MCOLES help advance the aforementioned objectives.

FINDING

1. Recipient Monitoring

MCOLES needs to improve its monitoring process to verify expenditures reported by recipients of law enforcement distributions (LEDs) and competitive grants.

Without a sufficient monitoring process, recipients' expenditures may not be in accordance with LED and competitive grant requirements. LED and grant expenditures made up 91.9% and 90.3% of the MJTF expenditures in fiscal year 2002-03 and 2001-02, respectively.

MCOLES had a policy requiring fiscal inspections of LED recipients' expenditures; however, this policy did not indicate the number to be reviewed. MCOLES policy

* See glossary at end of report for definition.

indicates that it will conduct fiscal inspections for at least 10% of the competitive grant recipients.

Our review disclosed:

- a. MCOLES had not conducted any fiscal inspections of 2002 LED recipient expenditures during 2003 and had conducted fiscal inspections of 2001 LED recipient expenditures during 2002 for only 4 (0.9%) of an average 462 recipients.

LED recipients submit annual expenditure reports. LED expenditures are reviewed for eligibility based on the LED guidelines and the balance of funds available to the recipient agency. If an LED recipient is selected for a fiscal inspection, the recipient must submit supporting documentation to verify the amounts reported on the annual expenditure report.

- b. MCOLES did not have a sufficient process to ensure that LED recipients were using the funds as a supplement to, and not a replacement for, in-service training funds. MCOLES informed us that it did not require expenditures, related to the maintenance of effort, to be reported by law enforcement agencies.

Section 18.423 of the *Michigan Compiled Laws* states that an LED shall serve as a supplement to, and not as a replacement for, the funds budgeted on October 12, 1982, by an eligible entity for the in-service criminal justice training of its police officers (maintenance of effort). MCOLES informed us that it believed that the statute required the recipients to budget for maintenance of effort but did not require the recipients to spend their maintenance of effort. We noted that MCOLES did verify that the law enforcement agencies budgeted for maintenance of effort.

- c. MCOLES's fiscal inspection and other reviews were not sufficient to identify if revenues received by grant recipients related to fees (such as course fees) exceeded direct expenditures. At the time of our audit, MCOLES relied on grant recipients to inform MCOLES if revenues exceeded direct expenditures and return the excess to MCOLES.

- d. MCOLES had not conducted any fiscal inspections in 2003 of competitive grant recipients that received funds during 2002. MCOLES did conduct fiscal inspections in 2002 of at least 10% of grant recipients that received funds during 2001.

Competitive grant recipients submit quarterly financial and final expenditure reports. Grant expenditures are reviewed for eligibility based on the approved contract budget, contract conditions, and competitive grant guidelines. If a grant recipient is selected for a fiscal inspection, the grant recipient must submit supporting documentation to verify the amounts reported on the final expenditure report.

RECOMMENDATION

We recommend that MCOLES improve its monitoring process to verify expenditures reported by recipients of LEDs and competitive grants.

AGENCY PRELIMINARY RESPONSE

MCOLES agrees with the recommendation. MCOLES will develop additional procedures regarding fiscal inspections of LED recipient claimed expenditures. MCOLES agrees to conduct fiscal inspections of the expenditures of 10% of the competitive grant awards. MCOLES agrees to monitor agencies' budgeted local training funds for compliance with maintenance of effort requirements, to monitor the expenditure of the local budgeted funds, and to require grant recipients to report revenues as part of final expenditure reporting for purposes of possibly offsetting grant costs.

FINDING

2. Grant Process

MCOLES did not have an effective and efficient grant process to ensure the timely receipt of required reports and the timeliness of payments to its grantees.

Without an effective and efficient grant process, MCOLES could make late payments to grantees and could be inefficiently using its limited resources.

Our review disclosed:

- a. MCOLES did not ensure that it received expenditure and program reports on a timely basis. Grant recipients did not submit 19 (30%) of 64 sampled expenditure reports on a timely basis. In addition, grant recipients also did not submit 14 (27%) of 51 sampled program reports on a timely basis. MCOLES did not send out a delinquency letter to the grant recipients in 27 (82%) of the 33 instances in which a report was not received by the required date.

MCOLES competitive grant guidelines for MJTF specify due dates for grantees to submit various expenditure and program reports. The MJTF grants are reimbursement grants so the submission of these reports is essential to start the payment process to reimburse the grantee for allowable expenditures.

- b. MCOLES did not have established goals related to processing time for payments to grantees. This resulted in 16 (28%) of 58 sampled grant payments not being processed on a timely basis. From the date the expenditure report was received until the date the transaction was entered into the Michigan Administrative Information Network* (MAIN), the process took from a low of 5 days to a high of 381 days and took an average of 80 days. Also, we noted that 12 (21%) of 58 grant payments (4 of these were part of the 16 not processed on a timely basis) were not entered into MAIN on a timely basis after the grantees' expenditure reports had been approved. We noted that it took from 2 to 36 days to enter approved expenditure reports into MAIN or an average of 10 days.

MCOLES did not have a policy in place requiring timely payment after receiving expenditure reports from grantees. We also did not find a specific Department of Management and Budget (DMB) procedure for timely payments to reimbursement grantees upon submission of an expenditure report. However, we did find a DMB procedure related to payments for completed invoices, which we used as a guide in determining the timeliness of MCOLES's payments to grantees.

* See glossary at end of report for definition.

DMB Administrative Guide procedure 1260.01 states that payments for completed invoices should be mailed no more than 45 days after receipt. MCOLES does have a policy indicating that if a grant recipient's report is delinquent for any of its grants, a delinquency letter is to be sent to the grant recipient and payment is withheld on all grants until the delinquent report(s) is received.

The process, in part, lacks effectiveness and efficiency because MCOLES is using an information technology system that has been in place since the inception of MJTF in 1982. The only significant upgrade occurred in 1993. Since 1993, only minor upgrades have occurred. For example, the system is unable to interface with MAIN, resulting in staff having to enter information into the grant system and then into MAIN to generate a payment. In addition, the system is unable to automatically generate delinquency letters, thereby requiring additional resources to review a delinquency report, identify those grant recipients who would require a delinquency letter, and prepare the letter.

RECOMMENDATION

We recommend that MCOLES implement an effective and efficient grant process to ensure the timely receipt of required reports and the timeliness of payments to its grantees.

AGENCY PRELIMINARY RESPONSE

MCOLES agrees with the recommendation. MCOLES will improve the documentation of the grant process regarding delinquency letters and the withholding of all grant payments until delinquent reports are received.

FINANCIAL ACCOUNTING AND REPORTING

COMMENT

Audit Objective: To audit the MJTF financial schedules for the fiscal years ended September 30, 2003 and September 30, 2002.

Conclusion: We expressed an unqualified opinion* on the MJTF financial schedules. The financial schedules included in this report have been corrected for the misstatements identified in Note 3, in accordance with approval from the DMB Office of Financial Management.

COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

COMMENT

Audit Objective: To assess and report on MCOLES's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules and on its internal control over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses*. However, our assessment identified a reportable condition related to revenue verification (Finding 3).

FINDING

3. Revenue Verification

MCOLES did not verify that MJTF revenue received was complete.

Our analysis disclosed that the number of traffic civil infractions reported by the courts did not agree with the amount of revenue deposited into MJTF. Based on reported traffic civil infractions and taking into account collection rates as determined by the State Court Administrator's collection rates, we calculated that the courts may have underpaid MJTF by approximately \$345,000 and \$612,000 for fiscal years 2002-03 and 2001-02, respectively. MCOLES informed us that the courts have the responsibility for assessing the required fees that fund MJTF but that the courts may not always assess the full fees.

* See glossary at end of report for definition.

Sections 257.629e and 257.907 of the *Michigan Compiled Laws* require district and circuit courts to collect \$25 in assessments for certain traffic civil infractions of the Michigan Vehicle Code, excluding parking violations and those infractions for which the total fine and costs are \$10 or less. The courts are required to submit their collections monthly to the Department of Treasury, which then disburses it among four funds (MJTF, Highway Safety Fund, Jail Reimbursement Program Fund, and Secondary Road Patrol and Training Fund) within the State. MJTF receives \$5 in assessments for each traffic civil infraction.

MCOLES does review the court transmittals to ensure that all courts have submitted collections to the Department of Treasury. However, MCOLES does not compare the number of civil infractions that the courts report to the actual revenue received. This type of comparison would help ensure the completeness and accuracy of the revenue received by the State for all four funds.

RECOMMENDATION

We recommend that MCOLES verify that MJTF revenue received is complete.

AGENCY PRELIMINARY RESPONSE

MCOLES agrees that MJTF revenue collections should be reviewed for completeness. MCOLES does review the court transmittals to ensure that all courts have submitted collections to the Department of Treasury. MCOLES, as the administering agency, will make contact with the Department of Treasury and the State Court Administrative Office to determine what action can be taken to verify that the revenue being received at the Department of Treasury is complete.

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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

January 22, 2004

Colonel Tadarial J. Sturdivant, Director
Michigan Department of State Police
714 South Harrison Rd
East Lansing, Michigan

Dear Colonel Sturdivant:

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, 2003 and September 30, 2002, 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 1b, 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, 2003 and September 30, 2002, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2004 on our tests of the Michigan Commission on Law Enforcement Standards' compliance and the Department's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering 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 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.

AUDITOR GENERAL

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

| | 2003 | 2002 |
|------------------------------------|--------------|--------------|
| REVENUES | | |
| Miscellaneous Revenues: | | |
| Court fines, fees, and assessments | \$ 5,471,145 | \$ 6,398,188 |
| Other miscellaneous revenue | 117,007 | 187,650 |
| Total Revenues | \$ 5,588,152 | \$ 6,585,838 |

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

| | 2003 | 2002 |
|---|---------------|---------------|
| SOURCES OF AUTHORIZATIONS (Note 2) | | |
| Balances carried forward | \$ 6,447,897 | \$ 6,395,586 |
| Restricted financing sources | 5,588,152 | 6,585,838 |
| Total | \$ 12,036,048 | \$ 12,981,423 |
| DISPOSITION OF AUTHORIZATIONS (Note 2) | | |
| Expenditures | \$ 5,736,863 | \$ 6,533,526 |
| Balances carried forward: | | |
| Restricted revenues - not authorized | \$ 6,299,185 | \$ 6,447,897 |
| Total balances carried forward | \$ 6,299,185 | \$ 6,447,897 |
| Total | \$ 12,036,048 | \$ 12,981,423 |

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 Justice Training Fund (MJTF), Michigan Commission on Law Enforcement Standards, Michigan Department of State Police, for the fiscal years ended September 30, 2003 and September 30, 2002. The financial transactions of MJTF 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 MJTF. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies; Budgeting, Budgetary Control, and Legal Compliance; and 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 generally accepted accounting principles applicable to governments. 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. 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 generally accepted accounting principles.

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. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations acts. 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, 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. MJTF restricted financing was received from a \$5 assessment from certain traffic violations collected by Michigan courts.
- b. Restricted revenues - not authorized: Revenues that, by statute, are restricted for use to a particular program or activity. However, the expenditure of the restricted revenue is subject to annual legislative appropriation.

Note 3 Differences From the State's Accounting System

The schedule of sources and disposition of authorizations was adjusted for the fiscal years ended September 30, 2003 and September 30, 2002 from the amounts reported in the fiscal year 2002-03 and 2001-02 *SOMCAFR*. The balances carried forward line was decreased by \$2.8 million, the expenditures line was decreased by \$66 thousand, and the restricted revenues - not authorized line was decreased by \$2.8 million for the fiscal year ended September 30, 2002. Both the balances carried forward and expenditures lines decreased by \$2.8 million for the fiscal year ended September 30, 2003. These differences resulted from the need to make corrections to certain items determined to be misstated because, prior to fiscal year 2002-03, MCOLES did not record payables as required by the Governmental Accounting Standards Board.

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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>2003</u> | <u>2002</u> |
|--|---------------------|---------------------|
| EXPENDITURES | | |
| Current: | | |
| Salaries and wages | \$ 314,662 | \$ 344,024 |
| Travel related | 3,662 | 10,019 |
| Mailing and postage | 2,920 | 5,434 |
| Other purchased services | 111,000 | 205,110 |
| Purchased automated data processing | | 3,826 |
| Other miscellaneous and contractual services | 25,596 | 45,563 |
| Supplies | 4,793 | 20,038 |
| Grant expenditures | 1,708,792 | 1,561,628 |
| Law enforcement distribution | <u>3,565,439</u> | <u>4,337,884</u> |
| Total Expenditures | <u>\$ 5,736,863</u> | <u>\$ 6,533,526</u> |

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND INTERNAL CONTROL



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AUDITOR GENERAL

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

January 22, 2004

Colonel Tadarial J. Sturdivant, Director
Michigan Department of State Police
714 South Harrison Road
East Lansing, Michigan

Dear Colonel Sturdivant:

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, 2003 and September 30, 2002, as identified in the table of contents, and have issued our report thereon dated January 22, 2004. 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.

Compliance

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 the Michigan Commission on Law Enforcement Standards' compliance and the Department's compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Michigan Commission on Law Enforcement Standards' internal control and the Department'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 assurance on

internal control over financial reporting. However, we noted a matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Michigan Commission on Law Enforcement Standards' ability and the Department's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial schedules. The reportable condition is described in Finding 3.

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. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition identified in the previous paragraph is not a material weakness.

This report is intended solely for the information and use of the Michigan Commission on Law Enforcement Standards, 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.

AUDITOR GENERAL

GLOSSARY

Glossary of Acronyms and Terms

| | |
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| certified law enforcement officer | A person who is certified as a police officer under the Michigan Law Enforcement Officers Training Council Act of 1965. |
| 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 community | Those entities involved in the criminal justice process, including law enforcement agencies, prosecutors, criminal defense counsel, courts, and correctional entities. |
| DMB | Department of Management and Budget. |
| effectiveness | Program success in achieving mission and goals. |
| efficiency | Achieving the most outputs and outcomes practical with the minimum amount of resources. |
| 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. |
| in-service criminal justice training | A criminal justice educational program presented by any agency or entity eligible to receive funds from MJTF that is designed and intended to enhance the direct delivery of criminal justice services by eligible employees. |
| 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. |

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| Justice System Fund | A fund created to collect assessments from courts and to distribute the amounts collected to various other funds. |
| law enforcement distribution (LED) | 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 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. |
| MCOLES | Michigan Commission on Law Enforcement Standards. |
| Michigan Administrative Information Network (MAIN) | The State's fully integrated automated administrative management system that supports the accounting, payroll, purchasing, contracting, budgeting, personnel, and revenue management activities and requirements. MAIN consist of four major components: MAIN Enterprise Information System (EIS); MAIN Financial Administration and Control System (FACS); MAIN Human Resource System (HRS); and MAIN Management Information Database (MIDB). |
| Michigan Justice Training Fund (MJTF) | A fund created within the General Fund used to provide funds for training law enforcement officials and others in the criminal justice community. |
| MSP | Michigan Department of State Police. |
| performance audit | An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or |

function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

performance measures Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.

reportable condition A matter that, in the auditor's judgment, represents (1) either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner; or (2) a deficiency in the design or operation of internal control that could adversely affect the entity's ability to record, process, summarize, 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 this "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.