



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



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

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

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit
Michigan Justice Training Fund
Michigan Commission on Law Enforcement
Standards
Michigan Department of State Police
October 1, 2003 through September 30, 2005

Report Number:
 55-101-05

Released:
 October 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 Michigan Justice Training Fund (MJTF) was conducted as part of the constitutional responsibility of the Office of the Auditor General.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on MJTF's financial schedules.

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Internal Control Over Financial Reporting

We did not report any findings related to internal control over financial reporting.

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**Noncompliance or Other Matters
 Material to the Financial Schedules**

We did not identify any instances of noncompliance or other matters applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

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Background:

MJTF is a restricted subfund within the General Fund and receives a percentage

distribution of court fines, fees, and assessments collected by the courts as outlined in Sections 600.181(3) and 600.181(4) of the *Michigan Compiled Laws*. The Michigan Commission on Law Enforcement Standards (MCOLES) and the Michigan Department of State Police are responsible for the distribution of the funds from MJTF in accordance with Act 302, P.A. 1982, as amended.

MCOLES distributes 60% of the funds to law enforcement agencies for in-service criminal justice training of their law enforcement officers on a per capita basis. MCOLES also distributes 40% of the funds, less administrative costs, on a competitive grant basis to State and local agencies providing in-service criminal training programs for criminal justice entities. The competitive grant distribution is made based on a review of submitted applications.

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or by visiting our Web site at:
<http://audgen.michigan.gov>



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Thomas H. McTavish, C.P.A.
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October 4, 2006

Sheriff Gene L. Wriggelsworth, Chair
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
7426 North Canal Road
Lansing, Michigan
and
Colonel Peter C. Munoz, Director
Michigan Department of State Police
714 South Harrison Road
East Lansing, Michigan

Dear Sheriff Wriggelsworth and Colonel Munoz:

This is our report on the financial audit of the Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards, Michigan Department of State Police, for the period October 1, 2003 through September 30, 2005.

This report contains our report summary; 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. 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.

AUDITOR GENERAL

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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 Gene L. Wriggelsworth, Chair
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
7426 North Canal Road
Lansing, Michigan
and
Colonel Peter C. Munoz, Director
Michigan Department of State Police
714 South Harrison Road
East Lansing, Michigan

Dear Sheriff Wriggelsworth and Colonel Munoz:

We have audited the accompanying financial schedules of the Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards, Michigan Department of State Police, for the fiscal years ended September 30, 2005 and September 30, 2004, as identified in the table of contents. These financial schedules are the responsibility of the Michigan Commission on Law Enforcement Standards' management and the Department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

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

As described in Note 1, the financial schedules present only the revenues and the sources and disposition of authorizations for the Michigan Justice Training Fund's accounts, presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Michigan Commission on Law Enforcement Standards or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and the sources and disposition of authorizations of the Michigan Justice Training Fund for the fiscal years ended September 30, 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 June 30, 2006 on our consideration of the Department'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 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

June 30, 2006

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

	2005	2004
REVENUES		
Miscellaneous Revenues:		
Court fines, fees, and assessments (Note 2)	\$ 7,117,071	\$ 7,289,026
Less statutory distribution to State agencies:		
MSP for law enforcement distribution	(401,646)	(426,573)
MSP for competitive grants	(261,140)	(386,321)
Other State agencies for competitive grants	(640,110)	(615,688)
Other miscellaneous revenue	541,055	331,585
Total Revenues	\$ 6,355,230	\$ 6,192,029

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

	2005	2004
SOURCES OF AUTHORIZATIONS (Note 3)		
Balances carried forward	\$ 6,647,116	\$ 6,299,185
Restricted financing sources	6,355,230	6,192,029
Total	\$ 13,002,346	\$ 12,491,214
DISPOSITION OF AUTHORIZATIONS (Note 3)		
Expenditures	\$ 6,131,666	\$ 5,844,098
Balances carried forward:		
Restricted revenues - not authorized	\$ 6,870,680	\$ 6,647,116
Total balances carried forward	\$ 6,870,680	\$ 6,647,116
Total	\$ 13,002,346	\$ 12,491,214

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 (MCOLES), Michigan Department of State Police (MSP), for the fiscal years ended September 30, 2005 and September 30, 2004. The financial transactions of MJTF 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 MJTF. 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.

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 Court Fines, Fees, and Assessments

MJTF is a restricted subfund within the State's General Fund and receives a percentage distribution of court fines, fees, and assessments collected by the courts as outlined in Sections 600.181(3) and 600.181(4) of the *Michigan Compiled Laws*. MCOLES and MSP are responsible for the distribution of the funds from MJTF in accordance with Act 302, P.A. 1982, as amended.

MCOLES distributes 60% of the funds to law enforcement agencies for in-service criminal justice training of their law enforcement officers on a per capita basis. MCOLES also distributes 40% of the funds, less administrative costs, on a competitive grant basis to State and local agencies providing in-service criminal training programs for criminal justice entities. MSP and the other State agencies record revenues received from MJTF and related expenditures in their department General Fund accounts. As indicated in Note 1, MJTF's financial transactions are also accounted for in the State's General Fund; therefore, MJTF records the statutory distributions to MSP and the other State agencies as revenue reductions in the MJTF General Fund accounts to avoid double counting revenues and expenditures within the General Fund.

Note 3 Schedule of Sources and Disposition of Authorizations

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

- a. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Statute allows that any amounts received in excess of the appropriation are, at year-end, carried forward to the next fiscal year as restricted revenues - not authorized.
- b. Expenditures: MJTF's expenditures include administrative costs, law enforcement agency distributions, and competitive grants for in-service criminal justice training. MJTF's payments to State agencies (using

revenue reductions) and non-State agencies' expenditures met the distribution percentages required by Act 302, P.A. 1982, as amended.

- c. Restricted revenues - not authorized: Revenues that, by statute, are restricted for use to a particular program or activity. Generally, the expenditure of the restricted revenues is subject to annual legislative appropriation.

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>2005</u>	<u>2004</u>
EXPENDITURES		
Salaries and wages	\$ 366,389	\$ 301,736
Technology related	150,637	95,591
Supplies	5,052	8,298
Rent and building occupancy	4,370	
Mailing and postage	2,241	2,130
Other miscellaneous and contractual services	8,503	9,995
Statutory law enforcement distribution	3,988,133	3,930,258
Statutory competitive grant expenditures	<u>1,606,342</u>	<u>1,496,090</u>
Total Expenditures	<u>\$ 6,131,666</u>	<u>\$ 5,844,098</u>

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL AND COMPLIANCE



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

Sheriff Gene L. Wriggelsworth, Chair
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
7426 North Canal Road
Lansing, Michigan
and
Colonel Peter C. Munoz, Director
Michigan Department of State Police
714 South Harrison Road
East Lansing, Michigan

Dear Sheriff Wriggelsworth and Colonel Munoz:

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, 2005 and September 30, 2004, as identified in the table of contents, and have issued our report thereon dated June 30, 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 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 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 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 Michigan Justice Training Fund's financial schedules are free of material misstatement, we performed tests of the Department's 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 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

June 30, 2006

GLOSSARY

Glossary of Acronyms and Terms

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

MCOLES	Michigan Commission on Law Enforcement Standards.
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.
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.
<i>SOMCAFR</i>	<i>State of Michigan Comprehensive Annual Financial Report.</i>
unqualified opinion	An auditor's opinion in which the auditor states that: <ul style="list-style-type: none">a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; orb. 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.

