



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

Audit report information can be accessed at:

<http://audgen.michigan.gov>



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit
Including the Provisions of the Single Audit Act

Report Number:
551-0100-10

Michigan Department of State Police

October 1, 2007 through September 30, 2009

Released:
June 2010

A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on the Michigan Department of State Police's (MSP's) financial schedules.

~ ~ ~ ~ ~

Internal Control Over Financial Reporting

We identified a significant deficiency in internal control over financial reporting (Finding 1). We do not consider this significant deficiency to be a material weakness.

~ ~ ~ ~ ~

**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*. However, we did identify other instances of noncompliance (Finding 2).

~ ~ ~ ~ ~

Federal Awards:

Auditor's Reports Issued on Compliance

We audited 10 programs as major programs and issued 10 unqualified opinions. MSP expended a total of \$278.2 million in federal awards during the two-year period ended September 30, 2009. The federal programs audited as major programs are identified on the back of this summary.

~ ~ ~ ~ ~

Internal Control Over Major Programs

We identified significant deficiencies in internal control over federal program compliance (Findings 3 through 7). We do not consider these significant deficiencies to be material weaknesses.

~ ~ ~ ~ ~

Required Reporting of Noncompliance

We identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 (Findings 3 through 7).

~ ~ ~ ~ ~

Systems of Accounting and Internal Control:

We determined that MSP was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*.

~ ~ ~ ~ ~

We audited the following programs as major programs:

<u>CFDA Number</u>	<u>Program or Cluster Title</u>	<u>Compliance Opinion</u>
11.555	Public Safety Interoperable Communications Grant Program	Unqualified
16.007/97.004 and 97.067	Homeland Security Cluster	Unqualified
16.738	Edward Byrne Memorial Justice Assistance Grant Program	Unqualified
16.741	Forensic DNA Backlog Reduction Program	Unqualified
20.218	National Motor Carrier Safety	Unqualified
20.600, 20.601, 20.602, 20.604, 20.605, 20.609, 20.610, and 20.612	Highway Safety Cluster	Unqualified
83.544/97.036 83.544 97.036	Public Assistance Grants Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Unqualified
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	Unqualified
97.042	Emergency Management Performance Grants	Unqualified
97.078	Buffer Zone Protection Program (BZPP)	Unqualified

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>



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

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

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

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

June 30, 2010

Colonel Eddie L. Washington, Jr., Director
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Colonel Washington:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Michigan Department of State Police (MSP) for the period October 1, 2007 through September 30, 2009.

This report contains our report summary, our independent auditor's report on the financial schedules, and the MSP financial schedules and schedule of expenditures of federal awards. This report also contains our independent auditor's report on internal control over financial reporting and on compliance and other matters, our independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133, and our schedule of findings and questioned costs. In addition, this report contains MSP's summary schedule of prior audit findings, its corrective action plan, and a glossary of acronyms and terms.

Our findings and recommendations are contained in Section II and Section III of the schedule of findings and questioned costs. The agency preliminary responses are contained in the corrective action plan. 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 this audit.

Auditor General

TABLE OF CONTENTS

MICHIGAN DEPARTMENT OF STATE POLICE

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL SCHEDULES	
Independent Auditor's Report on the Financial Schedules	8
Michigan Department of State Police Financial Schedules	
Schedule of General Fund Revenues and Other Financing Sources	10
Schedule of Sources and Disposition of General Fund Authorizations	11
Notes to the Financial Schedules	12
SUPPLEMENTAL FINANCIAL SCHEDULE	
Schedule of Expenditures of Federal Awards	18
Notes to the Schedule of Expenditures of Federal Awards	26
INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	30
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	32

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results	35
Section II: Findings Related to the Financial Schedules	36
1. Internal Control Over Payroll Processing	36
2. Expenditures in Excess of Authorization	37
Section III: Findings and Questioned Costs Related to Federal Awards	39
3. Public Safety Interoperable Communications Grant Program, <i>CFDA 11.555</i>	39
4. Forensic DNA Backlog Reduction Program, <i>CFDA 16.741</i>	40
5. National Motor Carrier Safety, <i>CFDA 20.218</i>	41
6. Emergency Management Performance Grants, <i>CFDA 97.042</i>	42
7. Buffer Zone Protection Program (BZPP), <i>CFDA 97.078</i>	43

OTHER SCHEDULES

Summary Schedule of Prior Audit Findings	46
Corrective Action Plan	48

GLOSSARY

Glossary of Acronyms and Terms	53
--------------------------------	----

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL SCHEDULES



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

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

Independent Auditor's Report on the Financial Schedules

Colonel Eddie L. Washington, Jr., Director
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Colonel Washington:

We have audited the accompanying financial schedules of the Michigan Department of State Police for the fiscal years ended September 30, 2009 and September 30, 2008, as identified in the table of contents. These financial schedules are the responsibility of 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 other financing sources and the sources and disposition of authorizations for the Michigan Department of State Police's General Fund 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 Department 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 other financing sources and the sources and disposition of authorizations of the Michigan Department of State Police for the fiscal

years ended September 30, 2009 and September 30, 2008 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2010 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 schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the Department'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 10, 2010

MICHIGAN DEPARTMENT OF STATE POLICE
Schedule of General Fund Revenues and Other Financing Sources
Fiscal Years Ended September 30

	<u>2009</u>	<u>2008</u>
REVENUES (Note 2)		
From taxes	\$ 2,286,016	\$ 1,950,197
From federal agencies	180,749,076	92,680,610
From local agencies	3,000,549	3,304,487
From services	53,096,641	49,124,786
From licenses and permits	11,625,767	14,089,211
Miscellaneous		
Income from investments	239,401	837,747
Various fines, fees, and assessments	6,544,908	6,637,044
Court fines, fees, and assessments	34,194,028	39,976,989
Other miscellaneous	<u>5,576,305</u>	<u>2,606,132</u>
Total revenues	<u>\$ 297,312,691</u>	<u>\$ 208,207,203</u>
 OTHER FINANCING SOURCES		
Transfers from other funds (Note 2)	<u>5,711,000</u>	
 Total revenues and other financing sources	<u><u>\$ 303,023,691</u></u>	<u><u>\$ 208,207,203</u></u>

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

MICHIGAN DEPARTMENT OF STATE POLICE
Schedule of Sources and Disposition of General Fund Authorizations
Fiscal Years Ended September 30

	<u>2009</u>	<u>2008</u>
SOURCES OF AUTHORIZATIONS (Note 3)		
General purpose appropriations	\$ 171,652,200	\$ 277,029,300
Balances carried forward	25,035,804	24,932,746
Restricted financing sources	310,219,328	216,517,205
Less: Intrafund expenditure reimbursements	<u>(8,877,720)</u>	<u>(13,333,002)</u>
 Total	 <u>\$ 498,029,612</u>	 <u>\$ 505,146,249</u>
 DISPOSITION OF AUTHORIZATIONS (Note 3)		
Gross expenditures and transfers out	\$ 483,636,991	\$ 490,087,966
Less: Intrafund expenditure reimbursements	<u>(8,877,720)</u>	<u>(13,333,002)</u>
Net expenditures and transfers out	<u>\$ 474,759,271</u>	<u>\$ 476,754,964</u>
Balances carried forward:		
Encumbrances	\$ 1,862,689	\$ 1,937,945
Restricted revenues - not authorized or used	<u>21,233,578</u>	<u>23,097,859</u>
Total balances carried forward	<u>\$ 23,096,267</u>	<u>\$ 25,035,804</u>
Balances lapsed	\$ 174,074	\$ 4,725,148
Overexpended (Note 4)		<u>(1,369,667)</u>
 Total	 <u>\$ 498,029,612</u>	 <u>\$ 505,146,249</u>

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 Department of State Police (MSP) for the fiscal years ended September 30, 2009 and September 30, 2008. The financial transactions of MSP 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 MSP. 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 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 other financing sources and the sources and disposition of authorizations for MSP's General Fund accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either MSP or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

Note 2 Schedule of General Fund Revenues and Other Financing Sources

MSP receives tax revenue from a portion of the motor vehicle registration tax collected by the Department of State. Local revenue is received for school bus inspections and for reimbursement of leased MSP vehicles and overtime costs in relation to various multi-jurisdictional task forces with local units of government. Service revenue is received for fees related to background checks, fingerprints, and motor vehicle registration transaction fees collected by the Department of State. License and permit revenue is received for motor vehicle operators and chauffeurs licenses. MSP receives miscellaneous revenue from the Automobile Theft Prevention Fund, which includes assessment fees paid by insurers engaged in writing insurance coverage within the State, as outlined in Section 500.6107 of the *Michigan Compiled Laws*. Approximately 99% of the revenue received by MSP is restricted revenue. In addition, miscellaneous revenue is received from the Justice System Fund, which includes court fines, fees, and assessments collected by courts. The Justice System Fund revenue distribution is outlined in Section 600.181 of the *Michigan Compiled Laws*.

Act 249, P.A. 2008, and Act 79, P.A. 2009, mandated that \$5.7 million from the State Services Fee Fund be appropriated to the State Forensic Laboratory Fund for fiscal year 2008-09.

Note 3 Schedule of Sources and Disposition of General Fund Authorizations

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

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenues.
- b. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenues - authorized, and restricted revenues - not authorized or used that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenues - not authorized or used.

- c. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements used to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, 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 or used.
- d. Intrafund expenditure reimbursements: Funding from other General Fund departments to finance a program or a portion of a program that is the responsibility of the receiving department. Significant intrafund expenditure reimbursements were automobile theft funds (\$0.9 million and \$1.2 million for fiscal years ended 2008-09 and 2007-08, respectively); training academy charges (\$1.9 million and \$1.6 million for fiscal years 2008-09 and 2007-08, respectively); training for MSP law enforcement officers (\$1.0 million and \$1.2 million for fiscal years 2008-09 and 2007-08, respectively); and casino gaming fees (\$4.1 million for fiscal year 2007-08).
- e. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered during the fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.
- f. Restricted revenues - not authorized or used: 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. Significant carry-forwards of this type were for narcotics investigations (\$4.0 million and \$3.3 million for fiscal years 2008-09 and 2007-08, respectively); Michigan justice training grants (\$5.5 million and \$6.7 million for fiscal years 2008-09 and 2007-08, respectively); laboratory operations (\$2.7 million and \$1.8 million for fiscal years 2008-09 and 2007-08, respectively); and at-post troopers (\$40,000 and \$3.7 million for fiscal years 2008-09 and 2007-08, respectively).

- g. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year. MSP lapsed \$4.7 million during fiscal year 2007-08, of which \$1.5 million resulted from a mid-year decrease in the retirement rate adjustment.
- h. Overexpended: The total net overexpenditure of line-item authorizations.

Note 4 Budgetary Overexpenditures

An overexpenditure of \$1.4 million occurred in fiscal year 2007-08 in the MSP appropriation for Information Technology Services and Projects as a result of the Criminal Justice Information System Policy Council eliminating Law Enforcement Information Network (LEIN) fees charged to users.

In the event that expenditures exceed authorization during a fiscal year, the department must request a supplemental appropriation for the amount overspent if that amount exceeds its lapses or if it expects to make payments from prior year authorization in the next fiscal year.

MSP held hearings with the Legislature to discuss the overexpenditure but was not provided any additional funding. LEIN fees were reinstated during fiscal year 2008-09.

SUPPLEMENTAL
FINANCIAL SCHEDULE

MICHIGAN DEPARTMENT OF STATE POLICE
Schedule of Expenditures of Federal Awards (Note 1)
For the Period October 1, 2007 through September 30, 2009

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Identification Number	For the Fiscal Year Ended September 30, 2008		
			Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<u>Executive Office of the President</u>					
Direct Program:					
High Intensity Drug Trafficking Areas (HIDTA)	07 **		\$ 543,285	\$	\$ 543,285
Total Executive Office of the President			\$ 543,285	\$ 0	\$ 543,285
<u>U.S. Department of Agriculture</u>					
Direct Programs:					
Criminal Investigation Section-Electronic Benefits Transfer (CIS-EBT) Team	10 **		\$ 25,000	\$	\$ 25,000
Forest Service Drug Team	10.09-LE-11091000-030				0
Total U.S. Department of Agriculture			\$ 25,000	\$ 0	\$ 25,000
<u>U.S. Department of Commerce</u>					
Direct Programs:					
Applied Meteorological Research	11.468		\$	\$	\$
Public Safety Interoperable Communications Grant Program	11.555		3,379,246	1,163,735	4,542,981
Total U.S. Department of Commerce			\$ 3,379,246	\$ 1,163,735	\$ 4,542,981
<u>U.S. Department of Justice</u>					
Direct Programs:					
State Domestic Preparedness Equipment Support Program (Note 2)	16.007		\$	\$ (35,310)	\$ (35,310)
Missing Children's Assistance	16.543		278,657	53,171	331,828
National Criminal History Improvement Program (NCHIP)	16.554		115,880	175,998	291,878
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		226,443		226,443
Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	16.564		486,726		486,726
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580				0
Bulletproof Vest Partnership Program	16.607				0
Community Prosecution and Project Safe Neighborhoods	16.609		68,567	7,240	75,807
Public Safety Partnership and Community Policing Grants	16.710		25,148	80,000	105,148
Enforcing Underage Drinking Laws Program	16.727		160,155	(41,453)	118,702
Forensic DNA Backlog Reduction Program	16.741		1,288,923		1,288,923
Forensic Casework DNA Backlog Reduction Program	16.743		621,687		621,687
Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-house Analysis and Data Review)	16.748		134,570		134,570
OCDETF Major Case	16.GL-MIW-108		5,585		5,585
OCDETF (Metro DEA)	16.GL-MIW-0105		8,987		8,987
COMET OCDETF ATF	16.GL-MIW-0113				0
Firearms ATF Overtime Reimbursement Task Force	16.09-DET-181-AFF				0
Southeast Michigan Crimes Against Children (SEMCAC)	16.31E-DE-C100515		39,293		39,293
Genesee County Safe Streets Task Force	16.281D-DE-C98517		10,862		10,862
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2009-78				0
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2008-78		312,583		312,583
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.2007-78		71,930		71,930
Oakland County Violent Gang Task Force	16.281D-DE-A102972				0
Upper Peninsula Safe Trails Task Force (UPSTTF)	16.198E-DE-C100655		12,273		12,273
Cold Case Enhanced Investigative Project (CCEIP)	16.2008-DN-BX-K004				0
COPS Digital Image Unit Grant	16.2008-CK-WX-0802				0
ATF OT 8th District	16 **				0
ATF/Michigan State Police Department Arson/Explosives Task Force	16 **				0
ATF Task Force	16 **		11,721		11,721
Comprehensive Anti Gang Initiative	16 **				0
DEA Task Force Group 6	16 **		15,787		15,787
Detroit Fugitive Apprehension Team (DFAT)	16 **		7,156		7,156

This schedule continued on next page.

For the Fiscal Year Ended September 30, 2009			Total Expended and Distributed
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	for the Two-Year Period
\$ 356,429	\$	\$ 356,429	\$ 899,714
\$ 356,429	\$ 0	\$ 356,429	\$ 899,714
\$ 32,349	\$	\$ 32,349	\$ 57,349
9,794		9,794	9,794
\$ 42,143	\$ 0	\$ 42,143	\$ 67,143
\$	\$ 374,379	\$ 374,379	\$ 374,379
1,772,440	4,506,892	6,279,332	10,822,313
\$ 1,772,440	\$ 4,881,271	\$ 6,653,711	\$ 11,196,692

\$	\$	\$ 0	\$ (35,310)
328,344		328,344	660,172
200,691	99,062	299,753	591,631
192,580		192,580	419,023
		0	486,726
165,801		165,801	165,801
8,081		8,081	8,081
		0	75,807
529,258	194,040	723,298	828,446
16,283	230,091	246,374	365,076
2,766,088		2,766,088	4,055,011
472,847		472,847	1,094,534
50,630		50,630	185,200
3,621		3,621	9,206
		0	8,987
1,088		1,088	1,088
100,000		100,000	100,000
61,652		61,652	100,945
15,707		15,707	26,569
309,973		309,973	309,973
77,417		77,417	390,000
		0	71,930
2,251		2,251	2,251
55,368		55,368	67,641
10,464		10,464	10,464
173,647		173,647	173,647
6,367		6,367	6,367
17,430		17,430	17,430
16,014		16,014	27,735
17,857		17,857	17,857
14,783		14,783	30,570
4,243		4,243	11,399

MICHIGAN DEPARTMENT OF STATE POLICE
Schedule of Expenditures of Federal Awards (Note 1)
For the Period October 1, 2007 through September 30, 2009
Continued

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Identification Number	For the Fiscal Year Ended September 30, 2008		
			Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
Detroit Major Crimes Task Force (DMCTF)	16 **		\$ 33,080	\$	\$ 33,080
Detroit Violent Gang Task Force (DVGTF)	16 **		24,001		24,001
District Fugitive Task Force	16 **		6,748		6,748
Equitable Sharing of Federally Forfeited Property	16 **		187,721		187,721
Firearms Investigation Team	16 **		62,667		62,667
Joint Terrorism Task Force	16 **		34,237		34,237
OCDETF Ice Breaker	16 **		1,038		1,038
Operation Falcon Fugitive Task Force	16 **		8,282		8,282
Sex Offender Sweeps	16 **				0
Straits Area Safe Trails Task Force (SASTTF)	16 **				0
Weed and Seed Program	16 **				0
Total Direct Programs			\$ 4,260,707	\$ 239,646	\$ 4,500,353
Pass-Through Programs:					
Michigan Department of Human Services:					
Violence Against Women Formula Grants	16.588	08-IA-01	\$ 161,238	\$	\$ 161,238
Detroit Community Justice Partnership:					
Community Prosecution and Project Safe Neighborhoods	16.609		\$	\$	\$ 0
Project Safe Neighborhood	16 **		\$	\$	\$ 0
Project Safe Neighborhood Anti-Gang	16 **		\$	\$	\$ 0
Grand Valley State University:					
Community Prosecution and Project Safe Neighborhoods	16.609	209836-1	\$	\$	\$ 0
Community Prosecution and Project Safe Neighborhoods	16.609	MSP101	17,197		17,197
Total Community Prosecution and Project Safe Neighborhoods			\$ 17,197	\$ 0	\$ 17,197
Edward Byrne Memorial Justice Assistance Grant Program:					
Alpena County	16.738	70874-9-08-B	\$ 124,712	\$	\$ 124,712
Alpena County	16.738	70874-1-09-B			0
City of Big Rapids	16.738	70894-8-08-B	65,454		65,454
City of Big Rapids	16.738	70894-9-09-B			0
Emmet County	16.738	70868-9-08-B	143,206		143,206
Emmet County	16.738	70868-1-09-B			0
City of Grand Rapids	16.738	70973-7-08-B	115,243		115,243
City of Grand Rapids	16.738	70973-8-09-B			0
City of Lansing	16.738	70901-8-08-B	125,193		125,193
City of Lansing	16.738	70901-1-09-B			0
Lapeer County	16.738	70898-8-08-B	57,897		57,897
Michigan Department of Community Health	16.738	(Note 3)	1,593,328	1,163,783	2,757,111
Missaukee County	16.738	72315-1-08-B	71,550		71,550
Missaukee County	16.738	72315-1-09-B			0
West Michigan Enforcement Team	16.738	70834-9-08-B	58,860		58,860
West Michigan Enforcement Team	16.738	70834-1-09-B			0
Total Edward Byrne Memorial Justice Assistance Grant Program			\$ 2,355,443	\$ 1,163,783	\$ 3,519,226
Michigan Department of Community Health					
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	20091157	\$	\$	\$ 0
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	20081039	321,542	29,704	351,246
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	20072237		45,298	45,298
Total Paul Coverdell Forensic Sciences Improvement Grant Program			\$ 321,542	\$ 75,002	\$ 396,544
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program					
	16.803	20093688	\$	\$	\$
		20094064			
		20094106			
			\$ 0	\$ 0	\$ 0

This schedule continued on next page.

For the Fiscal Year Ended September 30, 2009			Total Expended and Distributed for the Two-Year Period
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	
\$ 22,997	\$	\$ 22,997	\$ 56,077
22,461		22,461	46,462
8,087		8,087	14,835
325,442		325,442	513,163
101,582		101,582	164,249
28,237		28,237	62,474
		0	1,038
		0	8,282
20,000		20,000	20,000
2,426		2,426	2,426
482		482	482
<u>\$ 6,150,199</u>	<u>\$ 523,193</u>	<u>\$ 6,673,392</u>	<u>\$ 11,173,745</u>
\$ 153,846	\$	\$ 153,846	\$ 315,084
\$ 28,899	\$	\$ 28,899	\$ 28,899
\$ 44,046	\$	\$ 44,046	\$ 44,046
\$ 57,105	\$	\$ 57,105	\$ 57,105
\$ 31,269	\$	\$ 31,269	\$ 31,269
13,605		13,605	30,802
<u>\$ 44,874</u>	<u>\$</u>	<u>\$ 44,874</u>	<u>\$ 62,071</u>
\$	\$	\$ 0	\$ 124,712
59,642		59,642	59,642
		0	65,454
28,577		28,577	28,577
		0	143,206
62,527		62,527	62,527
		0	115,243
57,209		57,209	57,209
		0	125,193
68,863		68,863	68,863
		0	57,897
991,694	831,845	1,823,539	4,580,650
		0	71,550
31,294		31,294	31,294
		0	58,860
25,518		25,518	25,518
<u>\$ 1,325,324</u>	<u>\$ 831,845</u>	<u>\$ 2,157,169</u>	<u>\$ 5,676,395</u>
\$ 283,999	\$	283,999	\$ 283,999
31,329		31,329	382,575
		0	45,298
<u>\$ 315,328</u>	<u>\$ 0</u>	<u>\$ 315,328</u>	<u>\$ 711,872</u>
\$ 2,311,385	\$	\$ 2,311,385	\$ 2,311,385
20,053		20,053	20,053
4,682		4,682	4,682
<u>\$ 2,336,120</u>	<u>\$ 0</u>	<u>\$ 2,336,120</u>	<u>\$ 2,336,120</u>

MICHIGAN DEPARTMENT OF STATE POLICE
Schedule of Expenditures of Federal Awards (Note 1)
For the Period October 1, 2007 through September 30, 2009
Continued

Federal Agency/Program or Cluster	CFDA* Number	Pass-Through Identification Number	For the Fiscal Year Ended September 30, 2008		
			Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
City of Jackson: Project Safe Neighborhood	16 **		\$	\$	\$
Total Pass-Through Programs			\$ 2,855,420	\$ 1,238,785	\$ 4,094,205
Total U.S. Department of Justice			\$ 7,116,127	\$ 1,478,431	\$ 8,594,558
<u>U.S. Department of Transportation</u>					
Highway Safety Cluster:					
Direct Programs:					
State and Community Highway Safety	20.600		\$ 3,340,364	\$ 3,948,038	\$ 7,288,402
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		1,626,559	1,447,345	3,073,904
Occupant Protection Incentive Grants	20.602		1,371,452	665,276	2,036,728
Safety Incentive Grants for Use of Seatbelts	20.604		14,393	315,047	329,440
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605		139,862	577,261	717,123
Safety Belt Performance Grants	20.609		2,717,744	1,713,109	4,430,853
State Traffic Safety Information System Improvement Grants	20.610			63,851	63,851
Incentive Grant Program to Increase Motorcyclist Safety	20.612			159,178	159,178
Total Highway Safety Cluster			\$ 9,210,374	\$ 8,889,105	\$ 18,099,479
Direct Programs:					
National Motor Carrier Safety	20.218		\$ 5,872,701	\$	\$ 5,872,701
Border Enforcement Grants	20.233		2,005,055		2,005,055
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		200,900	130,493	331,393
Transportation Planning, Research and Education	20.931		3,704		3,704
Total Direct Programs			\$ 8,082,360	\$ 130,493	\$ 8,212,853
Pass-Through Program:					
Michigan Department of Transportation: Highway Planning and Construction	20.205		\$	\$	\$ 0
Total U.S. Department of Transportation			\$ 17,292,734	\$ 9,019,598	\$ 26,312,332
<u>U.S. Department of Treasury</u>					
Direct Programs:					
Operation Snake Trap Task Force	21.GL-MIW-0117		\$	\$	\$ 0
ATF/MSP Arson/Explosives Task Force	21**		12,582		12,582
Equitable Sharing of Federally Forfeited Property	21**		10,320		10,320
Total U.S. Department of Treasury			\$ 22,902	\$ 0	\$ 22,902
<u>Federal Emergency Management Agency (Note 2)</u>					
Direct Programs:					
Public Assistance Grants	83.544		\$ 26	\$	\$ 26
Hazard Mitigation Grant	83.548		(121,883)	1,214,246	1,092,363
Emergency Management Performance Grants	83.552		\$	(5,764)	(5,764)
Pre-Disaster Mitigation	83.557		(43,219)		(43,219)
Total Federal Emergency Management Agency			\$ (165,076)	\$ 1,208,482	\$ 1,043,406
<u>U.S. Department of Education</u>					
Direct Program:					
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		\$	\$	\$ 0
Total U.S. Department of Education			\$ 0	\$ 0	\$ 0

This schedule continued on next page.

For the Fiscal Year Ended September 30, 2009			Total Expended and Distributed for the Two-Year Period
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	
\$ 2,007	\$	\$ 2,007	\$ 2,007
\$ 4,307,549	\$ 831,845	\$ 5,139,394	\$ 9,233,599
\$ 10,457,748	\$ 1,355,038	\$ 11,812,786	\$ 20,407,344
\$ 4,292,749	\$ 2,661,488	\$ 6,954,237	\$ 14,242,639
2,824,937	1,858,075	4,683,012	7,756,916
58,870	860,228	919,098	2,955,826
		0	329,440
141,577	264,433	406,010	1,123,133
992,824	884,762	1,877,586	6,308,439
572,359	2,095,536	2,667,895	2,731,746
	139,729	139,729	298,907
\$ 8,883,316	\$ 8,764,251	\$ 17,647,567	\$ 35,747,046
\$ 6,053,918	\$	\$ 6,053,918	\$ 11,926,619
618,781		618,781	2,623,836
375,279	191,944	567,223	898,616
80,351		80,351	84,055
\$ 7,128,329	\$ 191,944	\$ 7,320,273	\$ 15,533,126
\$ 35,400	\$	\$ 35,400	\$ 35,400
\$ 16,047,045	\$ 8,956,195	\$ 25,003,240	\$ 51,315,572
\$ 2,446	\$	\$ 2,446	\$ 2,446
		0	12,582
47,910		47,910	58,230
\$ 50,356	\$ 0	\$ 50,356	\$ 73,258
\$	\$ (205,330)	\$ (205,330)	\$ (205,304)
79,540	(449,601)	(370,061)	722,302
		0	(5,764)
		0	(43,219)
\$ 79,540	\$ (654,931)	\$ (575,391)	\$ 468,015
\$ 98,100,000	\$	\$ 98,100,000	\$ 98,100,000
\$ 98,100,000	\$ 0	\$ 98,100,000	\$ 98,100,000

MICHIGAN DEPARTMENT OF STATE POLICE
Schedule of Expenditures of Federal Awards (Note 1)
For the Period October 1, 2007 through September 30, 2009
Continued

Federal Agency/Program or Cluster	CFDA *	Pass-Through Identification Number	For the Fiscal Year Ended September 30, 2008		
			Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
U.S. Department of Homeland Security					
Homeland Security Cluster:					
Direct Programs:					
State Domestic Preparedness Equipment Support Program (Note 2)	97.004		\$	\$ (427)	\$ (427)
Homeland Security Grant Program	97.067		6,660,646	29,488,925	36,149,571
Total Homeland Security Cluster			<u>\$ 6,660,646</u>	<u>\$ 29,488,498</u>	<u>\$ 36,149,144</u>
Direct Programs:					
Pilot Demonstration or Earmark Projects	97.001		\$	\$	\$ 0
Urban Areas Security Initiative	97.008			283,396	283,396
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017			477,510	477,510
Flood Mitigation Assistance	97.029			17,143	17,143
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 2)	97.036		301,731	8,638,826	8,940,557
Hazard Mitigation Grant	97.039		1,976	235,765	237,741
Emergency Management Performance Grants	97.042		3,832,719	2,213,807	6,046,526
Rail and Transit Security Grant Program	97.075			317,826	317,826
Buffer Zone Protection Program (BZPP)	97.078		278	123,542	123,820
Repetitive Food Claims	97.092			9,650	9,650
Southeastern Michigan Financial Crimes Task Force	97**				0
Total Direct Programs			<u>\$ 4,136,704</u>	<u>\$ 12,317,465</u>	<u>\$ 16,454,169</u>
Total U.S. Department of Homeland Security			<u>\$ 10,797,350</u>	<u>\$ 41,805,963</u>	<u>\$ 52,603,313</u>
Total Expenditures of Federal Awards			<u><u>\$ 39,011,568</u></u>	<u><u>\$ 54,676,209</u></u>	<u><u>\$ 93,687,777</u></u>

* CFDA is defined as *Catalog of Federal Domestic Assistance*.

** CFDA number is not available. Number derived from federal agency number.

The accompanying notes are an integral part of this schedule.

For the Fiscal Year Ended September 30, 2009			Total Expended and Distributed
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	for the Two-Year Period
\$ 5,664,987	\$ 20,268,997	\$ 25,933,984	\$ 62,083,555
<u>\$ 5,664,987</u>	<u>\$ 20,268,997</u>	<u>\$ 25,933,984</u>	<u>\$ 62,083,128</u>
\$	\$ 2,042	\$ 2,042	\$ 2,042
	245,111	245,111	528,507
500		500	478,010
		0	17,143
217,621	5,056,015	5,273,636	14,214,193
2,524	1,664	4,188	241,929
4,433,541	2,840,902	7,274,443	13,320,969
	445,060	445,060	762,886
96	3,814,822	3,814,918	3,938,738
		0	9,650
50,556		50,556	50,556
<u>\$ 4,704,838</u>	<u>\$ 12,405,616</u>	<u>\$ 17,110,454</u>	<u>\$ 33,564,623</u>
\$ 10,369,825	\$ 32,674,613	\$ 43,044,438	\$ 95,647,751
<u>\$ 137,275,526</u>	<u>\$ 47,212,186</u>	<u>\$ 184,487,712</u>	<u>\$ 278,175,489</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1 Basis of Presentation

This schedule presents the federal grant activity for the Michigan Department of State Police (MSP) on the modified accrual basis of accounting and in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules. MSP receives some federal grants as a subgrantee of another State department and also distributes some federal grants to other State departments as a pass-through entity*. In these cases, the transfer of the financing is recorded in the MSP accounting records as an expenditure credit or as a revenue debit. As a result, the amounts reported as expended on this schedule differ from the amounts reported as federal revenue in the schedule of General Fund revenues and other financing sources.

Note 2 U.S. Department of Homeland Security Grants

Grants from the Federal Emergency Management Agency and certain grants from the U.S. Department of Justice are now awarded through the U.S. Department of Homeland Security. In accordance with OMB Circular A-133 Compliance Supplement, Part 4 - Agency Program Requirements, the awards are shown under the federal agency that originally awarded the funds.

Note 3 Edward Byrne Memorial Justice Assistance Grant Program

Pass-through identification numbers for the Michigan Department of Community Health's Edward Byrne Memorial Justice Assistance Grant Program (CFDA 16.738) are:

Fiscal year 2007-08:

70768-2-08-B	70771-1-08-B	70844-9-08-B	70859-9-08-B
70888-9-08-B	70889-9-08-B	70909-8-08-B	70978-7-08-B
72082-6-08-B	72093-6-08-B	72197-4-08-B	72239-3-08-B

* See glossary at end of report for definition.

Fiscal year 2008-09:

70768-3-09-B	70844-1-09-B	70859-1-09-B	70888-1-09-B
70889-1-09-B	70909-9-09-B	70978-8-09-B	72082-7-09-B
72093-7-09-B	72109-6-09-B	72197-5-09-B	72239-4-09-B
72314-2-09-B			

INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL AND COMPLIANCE



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

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

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

Colonel Eddie L. Washington, Jr., Director
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Colonel Washington:

We have audited the financial schedules of the Michigan Department of State Police for the fiscal years ended September 30, 2009 and September 30, 2008, as identified in the table of contents, and have issued our report thereon dated June 10, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the next paragraph, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than

a remote likelihood that a misstatement of the entity's financial schedules that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in Finding 1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the third paragraph of this section is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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*. However, we noted other instances of noncompliance as described in the accompanying schedule of findings and questioned costs as Finding 2.

The Department's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governor, the Legislature, management, others within the Department, federal awarding agencies, and pass-through entities 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 10, 2010



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

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

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

Colonel Eddie L. Washington, Jr., Director
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Colonel Washington:

Compliance

We have audited the compliance of the Michigan Department of State Police with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each major federal program for the two-year period ended September 30, 2009. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the preceding paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Michigan Department of State Police complied, in all material respects, with the requirements referred to in the first paragraph that are applicable to each of its major federal programs for the two-year period ended September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 3 through 7.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Department's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 3 through 7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the preceding paragraph to be material weaknesses.

The Department's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governor, the Legislature, management, others within the Department, federal awarding agencies, and pass-through entities 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 10, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Schedules

Type of auditor's report issued:	Unqualified*
Internal control* over financial reporting:	
Material weaknesses* identified?	No
Significant deficiencies* identified that are not considered to be material weaknesses?	Yes
Noncompliance or other matters material to the financial schedules?	No

Federal Awards

Internal control over major programs:	
Material weaknesses* identified?	No
Significant deficiencies* identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.555	Public Safety Interoperable Communications Grant Program
16.007/97.004 and 97.067	Homeland Security Cluster
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.741	Forensic DNA Backlog Reduction Program

* See glossary at end of report for definition.

20.218	National Motor Carrier Safety
20.600, 20.601, 20.602, 20.604, 20.605, 20.609, 20.610, and 20.612	Highway Safety Cluster
83.544/97.036 83.544 97.036	Public Assistance Grants Disaster Grants - Public Assistance (Presidentially Declared Disasters)
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
97.042	Emergency Management Performance Grants
97.078	Buffer Zone Protection Program (BZPP)

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as a low-risk auditee*? No

Section II: Findings Related to the Financial Schedules

FINDING (5511001)

1. Internal Control Over Payroll Processing

The Michigan Department of State Police (MSP) should improve its internal control over the processing of payroll transactions. Without sufficient internal control over payroll processing, there is a greater risk that unauthorized payroll transactions may occur.

Part VIII, Chapter 7 of the State of Michigan Financial Management Guide identifies requirements and provides guidance for users of the State's Data Collection and Distribution System (DCDS) to help ensure an appropriate segregation of duties for payroll transaction processing. DCDS procedures manual provides guidance for the appropriate segregation of duties through the use of user identification codes, passwords, and limitations on the user capabilities assigned.

* See glossary at end of report for definition.

MSP had payroll expenditures of \$305.7 million and \$301.6 million during fiscal years 2008-09 and 2007-08, respectively.

We tested 189 payroll transactions and noted control deficiencies in 21 (11%) of the transactions. MSP processed these 189 transactions within 60 separate timekeeping units. We noted control exceptions in 14 (23%) of the timekeeping units.

Our review of payroll activity disclosed:

- a. Three paper time sheets were not signed by the employee and three additional time sheets were not signed by the supervisor. MSP's internal control requires employees without DCDS access to complete and sign time sheets that their supervisors must approve and sign. However, MSP did not verify that time sheets included all signatures.
- b. Twelve time sheets were each submitted and certified by the same person. MSP's internal control requires a person other than the timekeeper to certify the accuracy of the time sheets. However, in these instances, MSP did not monitor the segregation of duties.
- c. Three time sheets were entered using the wrong shift premium. MSP's internal control to ensure the accuracy of the payroll data submitted in DCDS requires reviews by timekeepers and certifiers. However, MSP did not detect the errors.

RECOMMENDATION

We recommend that MSP improve its internal control over the processing of payroll transactions.

FINDING (5511002)

2. Expenditures in Excess of Authorization

MSP did not prevent expenditures in excess of a line-item authorization. As a result, MSP was not in compliance with Section 18.1395 of the *Michigan Compiled Laws*.

In fiscal year 2007-08, MSP incurred expenditures of \$1.4 million in excess of its authorization for the Information Technology Services and Projects line item. However, MSP did not exceed its total department authorization of \$505.1 million.

Section 18.1395 of the *Michigan Compiled Laws* states that appropriation line items in a budget act financed from federal, State restricted, local, or private funding authorize spending only for the amount of the funds actually earned up to the amount appropriated. When an appropriation line item that is financed from federal, State restricted, local, or private funding sources is earning funds less than the appropriated amount, the department shall reduce the overall level of expenditures from the appropriation line item to reflect the estimated funding shortfall.

MSP indicated that it exceeded the authorization as a result of the Criminal Justice Information System Policy Council's decision to eliminate user fees for authorized local use of the Law Enforcement Information Network (LEIN). The fiscal year 2007-08 LEIN budget was established at \$9,950,556, with local funding estimated at \$2,761,182. MSP informed us that it no longer had the authority to collect user fees from local users and could not sufficiently reduce the costs of maintaining and operating LEIN without affecting public safety. LEIN allows access to criminal justice information, including access to warrant, stolen property, and criminal history information.

RECOMMENDATION

We recommend that MSP prevent expenditures in excess of line-item authorizations.

The status of the findings related to the financial schedules that were reported in prior Single Audits* is disclosed in the summary schedule of prior audit findings.

* See glossary at end of report for definition.

Section III: Findings and Questioned Costs* Related to Federal Awards

FINDING (5511003)

3. Public Safety Interoperable Communications Grant Program,
CFDA 11.555

U.S. Department of Commerce	CFDA 11.555: Public Safety Interoperable Communications Grant Program
Award Number: 2007-GS-H7-0043	Award Period: 10/01/2007 - 09/30/2011
	Known Questioned Costs: \$0

MSP's internal control over the Public Safety Interoperable Communications Grant Program (PSIC Grant Program) did not ensure compliance with federal laws and regulations regarding reporting.

Internal control that does not ensure compliance with federal laws and regulations could result in sanctions, disallowances, and/or future reductions of PSIC Grant Program awards.

Federal expenditures for the PSIC Grant Program totaled \$10.8 million for the two-year period ended September 30, 2009.

PSIC federal program guidelines require the submission of a Biannual Strategy Implementation Report (BSIR). The BSIR must provide updated obligation and expenditure information to show progress made toward meeting strategic goals and objectives based on six investment categories.

MSP did not ensure the accuracy of expenditures reported for the period ended June 30, 2009. MSP prepared the BSIR from expenditure data on subrecipient* payment tracking spreadsheets. However, MSP did not verify the amounts

* See glossary at end of report for definition.

reported to the supporting documentation. As a result, MSP misstated expenditures by investment categories on the BSIR as follows:

Investment Category 2	\$ 384,410	Overstated
Investment Category 3	\$ 146,153	Overstated
Investment Category 4	\$ 445,174	Overstated
Investment Category 5	\$1,032,186	Understated

RECOMMENDATION

We recommend that MSP improve its internal control over the PSIC Grant Program to ensure compliance with federal laws and regulations regarding reporting.

FINDING (5511004)

4. Forensic DNA Backlog Reduction Program, CFDA 16.741

U.S. Department of Justice	CFDA 16.741: Forensic DNA Backlog Reduction Program
Award Number: 2006-DN-BX-K132 2007-DN-BX-K083 2008-DN-BX-K112	Award Period: 10/01/2006 - 04/30/2009 10/01/2007 - 03/31/2010 10/01/2008 - 03/31/2010
	Known Questioned Costs: \$0

MSP's internal control did not ensure that it maintained sufficient documentation to support the information reported in its semiannual progress reports for the Forensic DNA Backlog Reduction Program.

Internal control that does not ensure compliance with federal regulations could result in sanctions, disallowances, and/or future reductions of program awards.

Federal expenditures for the Forensic DNA Backlog Reduction Program totaled \$4.1 million for the two-year period ended September 30, 2009.

Title 28, Part 66, section 42 of the *Code of Federal Regulations (CFR)* requires programmatic records, supporting documents, and other records which are reasonably considered as pertinent to program regulations or grant agreements to be retained for three years from the date the grantee submits its final report.

MSP informed us that the data provided in the progress reports was taken from the Forensic Advantage and the Combined DNA Index System (CODIS) real-time information systems. MSP did not maintain some of the data used to prepare the reports. As a result, the data from the information systems was updated and the report information could not be reproduced.

Our review of MSP's semiannual progress reports disclosed that the MSP did not maintain sufficient documentation to support the data reported in all 10 (100%) semiannual progress reports submitted during fiscal years 2007-08 and 2008-09.

RECOMMENDATION

We recommend that MSP improve its internal control to ensure that it maintains sufficient documentation to support the information reported in its semiannual progress reports for the Forensic DNA Backlog Reduction Program.

FINDING (5511005)

5. National Motor Carrier Safety, CFDA 20.218

U.S. Department of Transportation	CFDA 20.218: National Motor Carrier Safety
Award Number: MN-07-26-1 RH-07-26-1 27XX26MC082615780 27XX26MN082615780 MR-08-26-01-G-00000 MC092610000000	Award Period: 10/01/2006 - 09/30/2008 10/01/2006 - 09/30/2008 10/01/2007 - 09/30/2008 10/01/2007 - 09/30/2009 05/01/2008 - 10/31/2009 10/01/2008 - 09/30/2010
	Known Questioned Costs: \$0

MSP's internal control over the National Motor Carrier Safety Program did not ensure compliance with federal laws and regulations regarding reporting.

Internal control that does not ensure compliance with federal laws and regulations could result in sanctions, disallowances, and/or future reductions of National Motor Carrier Safety Program awards.

Federal expenditures for the National Motor Carrier Safety Program totaled \$11.9 million for the two-year period ended September 30, 2009.

Federal regulation 49 *CFR* 18.42 requires grantees to retain programmatic reports, supporting documents, statistical records, and other records for three years from the date of the related expenditure report.

Federal regulation 49 *CFR* 18.40 requires grantees to compare actual outcomes to the objectives established for the period. MSP compiled data for actual outcomes to the established objectives. Our review of 8 of 40 objectives from 4 of the 8 Commercial Vehicle Safety Plan quarterly performance reports identified the following exceptions:

- a. MSP did not maintain supporting documents for all or a portion of 4 (50%) of the 8 objectives reviewed.
- b. MSP's documentation did not support the statistics reported in 5 (63%) of the 8 objectives reviewed.

MSP compiled the quarterly reports from information tracked by various sources. However, MSP did not always maintain supporting documentation or verify the accuracy of the reports.

RECOMMENDATION

We recommend that MSP improve its internal control over the National Motor Carrier Safety Program to ensure compliance with federal laws and regulations regarding reporting.

FINDING (5511006)

6. Emergency Management Performance Grants, *CFDA* 97.042

U.S. Department of Homeland Security	<i>CFDA</i> 97.042: Emergency Management Performance Grants
Award Number: EMC-2003-GR-7003 2007-EM-E7-0034 2007-EM-E7-0082 2008-EM-E8-0021 2009-EP-E9-0003	Award Period: 10/01/2002 - 03/31/2004 10/01/2006 - 09/30/2008 09/01/2007 - 08/31/2009 10/01/2007 - 09/30/2009 10/01/2008 - 09/30/2010
	Known Questioned Costs: \$0

MSP's internal control over the Emergency Management Performance Grants (EMPG) did not ensure compliance with federal laws and regulations regarding reporting.

Internal control that does not ensure compliance with federal laws and regulations could result in sanctions, disallowances, and/or future reductions of EMPG awards.

Federal expenditures for EMPG totaled \$13.3 million for the two-year period ended September 30, 2009.

EMPG federal program guidelines require the submission of a BSIR. The BSIR must provide updated obligation and expenditure information to show progress made toward meeting strategic goals and objectives.

MSP did not ensure the accuracy of EMPG's 2008 BSIR submitted for the reporting period ended June 30, 2009. MSP prepared the BSIR based on expenditure data obtained from financial tracking sheets. However, MSP did not verify the reported amounts to the supporting documentation. As a result, the BSIR did not include \$4.1 million of expenditures, understated expenditures for two subrecipients by approximately \$17,000, and overstated expenditures for one subrecipient by approximately \$6,000.

RECOMMENDATION

We recommend that MSP improve its internal control over EMPG to ensure compliance with federal laws and regulations regarding reporting.

FINDING (5511007)

7. **Buffer Zone Protection Program (BZPP), CFDA 97.078**

U.S. Department of Homeland Security	CFDA 97.078: Buffer Zone Protection Program (BZPP)
Award Number: 2006-BZ-T6-0024 2006-BZ-T6-0057 2007-BZ-T7-0005 2008-BZ-T8-0041	Award Period: 10/01/2006 - 09/30/2009 10/01/2006 - 09/30/2009 07/01/2007 - 06/30/2010 09/01/2008 - 08/31/2011
	Known Questioned Costs: \$0

MSP's internal control over the Buffer Zone Protection Program (BZPP) did not ensure compliance with federal laws and regulations regarding reporting.

Internal control that does not ensure compliance with federal laws and regulations could result in sanctions, disallowances, and/or future reductions of BZPP awards.

Federal expenditures for BZPP totaled \$3.9 million for the two-year period ended September 30, 2009.

BZPP federal program guidelines require the submission of a BSIR. The BSIR must provide updated obligation and expenditure information to show progress made toward meeting strategic goals and objectives.

MSP did not ensure the accuracy of the BSIR submitted for the reporting period ended June 30, 2009. MSP prepared the BSIR from expenditure data on subrecipient payment tracking spreadsheets. However, MSP did not verify the reported amounts to the supporting documentation. As a result, MSP understated expenditures reported in the BSIR by \$232,661 for the 2006 grant and \$110,880 for the 2007 grant.

RECOMMENDATION

We recommend that MSP improve its internal control over BZPP to ensure compliance with federal laws and regulations regarding reporting.

The status of the findings related to federal awards that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.

OTHER SCHEDULES

MICHIGAN DEPARTMENT OF STATE POLICE
Summary Schedule of Prior Audit Findings
As of June 10, 2010

PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL SCHEDULES

Audit Findings Not Corrected or Partially Corrected:

Audit Period: October 1, 2005 through September 30, 2007

Finding Number: 5510801

Finding Title: Expenditures in Excess of Authorization

Finding: The Michigan Department of State Police's (MSP's) internal control did not prevent expenditures in excess of line-item appropriations. As a result, MSP was not in compliance with Section 18.1371 of the *Michigan Compiled Laws*.

Agency Comments: MSP implemented additional budgetary controls and monitoring procedures.

PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS

Audit Findings That Have Been Fully Corrected:

Audit Period: October 1, 2005 through September 30, 2007

Finding Number: 5510802

Finding Title: OMB Circular A-133 Subrecipient Audit Requirements

Finding: MSP's internal control did not ensure that its subrecipients complied with the audit requirements of OMB Circular A-133. Also, MSP's internal control did not ensure that it issued

management decisions on subrecipients' audit findings within the time frame required by OMB Circular A-133. As a result, MSP cannot be assured that the subrecipients complied with audit requirements and were spending the federal funds in accordance with federal regulations and grant agreements.

Agency Comments: MSP acquired an additional part-time resource person to obtain required audit reports and to issue management decisions.

MICHIGAN DEPARTMENT OF STATE POLICE

Corrective Action Plan

As of June 10, 2010

FINDINGS RELATED TO THE FINANCIAL SCHEDULES

Finding Number: 5511001
Finding Title: Internal Control Over Payroll Processing

Management Views: The Michigan Department of State Police (MSP) agrees with this finding.

Planned Corrective Action: MSP will issue correspondence addressing the importance of requiring the signatures of both the employee and the supervisor on all paper time sheets (PD-89) and ensuring the accuracy of payroll data. MSP will also audit the roles of all timekeepers and certifiers to ensure that the roles are not assigned to the same individuals.

Anticipated Completion Date: September 30, 2010

Responsible Individual: Debra Gilmore, Director of Human Resources Division

Finding Number: 5511002
Finding Title: Expenditures in Excess of Authorizations

Management Views: MSP agrees with this finding.

Planned Corrective Action: MSP has implemented a reduction in expenditures and additional budget monitoring. In the event that revenues are not sufficient, MSP will request supplemental budget appropriations or reduce expenditures to ensure that expenditures are not in excess of line-item appropriations.

Anticipated Completion Date: September 30, 2010

Responsible Individual: Melanie Oudsema, Chief Accountant, Budget and Financial Services Division (BFSD)

FINDINGS RELATED TO FEDERAL AWARDS

Finding Number: 5511003
Finding Title: Public Safety Interoperable Communications Grant Program, *CFDA* 11.555

Management Views: MSP agrees with this finding to improve internal control over reporting.

Planned Corrective Action: The Emergency Management and Homeland Security Division (EMHSD) will develop a procedure to verify reported amounts in the Biannual Strategy Implementation Report (BSIR) to the supporting documentation.

Anticipated Completion Date: September 30, 2010

Responsible Individual: James Reardon, Local Emergency Planning and National Incident Management System (NIMS) Specialist, EMHSD

Finding Number: 5511004
Finding Title: Forensic DNA Backlog Reduction Program, *CFDA* 16.741

Management Views: MSP agrees with this finding.

Planned Corrective Action: The Forensic Science Division will ensure that sufficient documentation is maintained to support the progress reports.

Anticipated Completion Date: July 31, 2010

Responsible Individuals: Abby Meyer, Grant Manager, Forensic Science Division
Jeff Nye, DNA Technical Leader, Forensic Science Division

Finding Number: 5511005
Finding Title: National Motor Carrier Safety, *CFDA 20.218*

Management Views: MSP agrees with this finding.

Planned Corrective Action: The Traffic Services Division (TSD) will develop a process to verify the data in the performance reports to supporting documentation. TSD will also ensure that sufficient documentation is maintained to support performance reports.

Anticipated Completion Date: June 30, 2010

Responsible Individual: Inspector Brenda Dietrich, Assistant Division Commander, TSD

Finding Number: 5511006

Finding Title: Emergency Management Performance Grants, *CFDA 97.042*

Management Views: MSP agrees with this finding to improve internal control over reporting.

Planned Corrective Action: EMHSD will develop a procedure to verify the reported amounts in the BSIR to the supporting documentation.

Anticipated Completion Date: September 30, 2010

Responsible Individual: James Reardon, Local Emergency Planning and NIMS Specialist, EMHSD

Finding Number: 5511007

Finding Title: Buffer Zone Protection Program (BZPP), *CFDA 97.078*

Management Views: MSP agrees with this finding to improve internal control over reporting.

Planned Corrective Action: EMHSD will develop a procedure to verify the reported amounts in the BSIR to the supporting documentation.

Anticipated Completion Date: September 30, 2010

Responsible Individual: James Reardon, Local Emergency Planning and NIMS Specialist, EMHSD

GLOSSARY

Glossary of Acronyms and Terms

BFSD	Budget and Financial Services Division.
BSIR	Biannual Strategy Implementation Report.
BZPP	Buffer Zone Protection Program.
<i>CFDA</i>	<i>Catalog of Federal Domestic Assistance.</i>
<i>CFR</i>	<i>Code of Federal Regulations.</i>
control deficiency in internal control over federal program compliance	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 on a timely basis noncompliance with a type of compliance requirement of a federal program.
control 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 misstatements on a timely basis.
DCDS	Data Collection and Distribution System.
DNA	deoxyribonucleic acid.
EMHSD	Emergency Management and Homeland Security Division.
EMPG	Emergency Management Performance Grants.
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 presented fairly in all material respects in conformity with the disclosed basis of accounting.

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.
LEIN	Law Enforcement Information Network.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
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 in internal control over federal program compliance	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected.
material weakness in internal control over financial reporting	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules and/or financial statements will not be prevented or detected.
MSP	Michigan Department of State Police.
NIMS	National Incident Management System.

OMB	U.S. Office of Management and Budget.
other noncompliance	Violations of contracts or grant agreements that are not material to the financial schedules or financial statements but should be communicated to management in accordance with <i>Government Auditing Standards</i> . Other noncompliance also includes violations of laws, regulations, contracts, or grant agreements; fraud; abuse; or other internal control deficiencies that may be communicated to management in accordance with <i>Government Auditing Standards</i> .
pass-through entity	A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.
PSIC Grant Program	Public Safety Interoperable Communications Grant Program.
questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
significant deficiency in internal control over federal program compliance	A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected.
significant deficiency in internal control over financial reporting	A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in

accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial schedules and/or financial statements that is more than inconsequential will not be prevented or detected.

Single Audit

A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of 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, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.

SOMCAFR

State of Michigan Comprehensive Annual Financial Report.

subrecipient

A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.

TSD

Traffic Services Division.

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 and/or financial statements 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 and/or financial statements taken by themselves; or

- c. The audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.

