



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, 2007 through September 30, 2009

Report Number:
551-0101-10

Released:
September 2010

A financial audit determines if the financial schedules are fairly presented; considers internal control over financial reporting; and determines compliance with requirements material to the financial schedules. This financial audit of the Michigan Justice Training Fund (MJTF) was conducted in accordance with Section 18.429 of the Michigan Compiled Laws.

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 and Other Matters
 Material to the Financial Schedules**

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

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Background:

MJTF is a restricted subfund within the General Fund and receives a percentage of court fines, fees, and assessments collected by the courts as outlined in Section 600.181 of the *Michigan Compiled Laws*. The Michigan Commission on Law

Enforcement Standards and the Michigan Department of State Police are responsible for the legally required distribution of funds from MJTF.

Act 302, P.A. 1982, as amended, requires 60% of the funds to be distributed to law enforcement agencies for in-service criminal justice training of their law enforcement officers on a per capita basis.

Further, Act 302 requires the distribution of 40% of the funds, less administrative costs, on a competitive grant basis to State and local agencies that provide in-service criminal training programs for criminal justice training entities. The competitive grant distribution is made based on a review of submitted applications.

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



Michigan Office of the Auditor General
201 N. Washington Square
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Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
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September 14, 2010

Sheriff James Bosscher, Chair
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
106 West Allegan Street, Suite 600
Lansing, Michigan
and
Colonel Eddie L. Washington, Jr.
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Sheriff Bosscher and Colonel Washington:

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, 2007 through September 30, 2009. This financial audit was conducted in accordance with Section 18.429 of the *Michigan Compiled Laws*.

This report contains our report summary, our independent auditor's report on the financial schedules, and the Michigan Justice Training Fund's 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 the audit.

AUDITOR GENERAL

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INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL SCHEDULES



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THOMAS H. MCTAVISH, C.P.A.
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Independent Auditor's Report on the Financial Schedules

Sheriff James Bosscher, Chair
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
106 West Allegan Street, Suite 600
Lansing, Michigan
and
Colonel Eddie L. Washington, Jr.
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Sheriff Bosscher and Colonel Washington:

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, 2009 and September 30, 2008, 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, 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 August 18, 2010 on our consideration of the Michigan Commission on Law Enforcement Standard'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 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

August 18, 2010

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

| | 2009 | 2008 |
|---|--------------|--------------|
| REVENUES | | |
| Miscellaneous revenues: | | |
| Court fines, fees, and assessments (Note 2) | \$ 6,245,141 | \$ 6,738,219 |
| Other miscellaneous revenue | 91,230 | 278,400 |
| Total revenues | \$ 6,336,372 | \$ 7,016,619 |

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

| | <u>2009</u> | <u>2008</u> |
|---|--------------------------|--------------------------|
| SOURCES OF AUTHORIZATIONS (Note 3) | | |
| Balances carried forward | \$ 6,713,266 | \$ 7,055,673 |
| Restricted financing sources | <u>6,336,372</u> | <u>7,016,619</u> |
| Total | <u>\$ 13,049,638</u> | <u>\$ 14,072,292</u> |
| DISPOSITION OF AUTHORIZATIONS (Note 3) | | |
| Expenditures | <u>\$ 7,497,533</u> | <u>\$ 7,359,026</u> |
| Balances carried forward: | | |
| Restricted revenues - not authorized or used | <u>\$ 5,552,105</u> | <u>\$ 6,713,266</u> |
| Total balances carried forward | <u>\$ 5,552,105</u> | <u>\$ 6,713,266</u> |
| Total | <u>\$ 13,049,638</u> | <u>\$ 14,072,292</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 Justice Training Fund* (MJTF), Michigan Commission on Law Enforcement Standards (MCOLES), Michigan Department of State Police (MSP), for the fiscal years ended September 30, 2009 and September 30, 2008. The financial transactions of MJTF are accounted for in the State's General Fund as a restricted subfund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

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; 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 the sources and disposition of authorizations for MJTF's accounts.

* See glossary at end of report for definition.

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 accounting principles generally accepted in the United States of America.

Note 2 Court Fines, Fees, and Assessments

MJTF receives a percentage distribution of court fines, fees, and assessments collected by the courts as outlined in Section 600.181 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.

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

* See glossary at end of report for definition.

- c. 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.

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>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| EXPENDITURES | | |
| Salaries, wages, and fringe benefits | \$ 750,791 | \$ 427,661 |
| Travel related | 14,658 | 13,735 |
| Mailing and postage | 346 | 1,399 |
| Other purchased services | 99,932 | 41,346 |
| Other miscellaneous and contractual services | 56,225 | 25,597 |
| Equipment purchases and lease/rental payments | 7,312 | |
| Rent and building occupancy | 5,989 | 7,064 |
| Supplies | 10,305 | 5,060 |
| Statutory law enforcement distribution | 3,818,165 | 4,240,165 |
| Statutory competitive grant expenditures | <u>2,733,810</u> | <u>2,596,999</u> |
| Total expenditures | <u>\$ 7,497,533</u> | <u>\$ 7,359,026</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 James Bosscher, Chair
Michigan Commission on Law Enforcement Standards
Michigan Department of State Police
106 West Allegan Street, Suite 600
Lansing, Michigan
and
Colonel Eddie L. Washington, Jr.
Michigan Department of State Police
333 South Grand Avenue
Lansing, Michigan

Dear Sheriff Bosscher and Colonel Washington:

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, 2009 and September 30, 2008, as identified in the table of contents, and have issued our report thereon dated August 18, 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 Michigan Commission on Law Enforcement Standards' 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 Michigan Justice Training Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Michigan Justice Training Fund's internal control over financial reporting.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined in the preceding paragraph.

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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governor, the Legislature, management, the Michigan Commission on Law Enforcement Standards, and others within the entity 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

August 18, 2010

GLOSSARY

Glossary of Acronyms and Terms

| | |
|---|---|
| competitive grants | The distribution of 40% of the Michigan Justice Training Fund, less administrative costs, to State and local agencies providing in-service criminal justice training programs based on a review of submitted applications. |
| 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. |
| criminal justice entities | Those entities involved in the criminal justice process, including law enforcement agencies, prosecutors, criminal defense counsel, 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 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 objective with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. |
| law enforcement agency distribution | The distribution of 60% of the Michigan Justice Training Fund to law enforcement agencies, made on a per capita basis, for the direct costs of in-service criminal justice training of certified law enforcement officers. |

| | |
|---|--|
| material 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 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. |
| 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. |
| 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. |
| <i>SOMCAFR</i> | <i>State of Michigan Comprehensive Annual Financial Report.</i> |

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.

