

PERFORMANCE AUDIT
OF THE
AUTOMOBILE THEFT PREVENTION AUTHORITY
MICHIGAN DEPARTMENT OF STATE POLICE
February 2000

EXECUTIVE DIGEST

AUTOMOBILE THEFT PREVENTION AUTHORITY

INTRODUCTION

This report, issued in February 2000, contains the results of our performance audit* of the Automobile Theft Prevention Authority (ATPA), Michigan Department of State Police (MSP).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency* .

BACKGROUND

ATPA was established by Act 10, P.A. 1986 (Sections 500.6101 - 500.6111 of the *Michigan Compiled Laws*). ATPA was specifically created to reduce automobile theft in Michigan. A seven-member Board of Directors, appointed by the Governor with the advice and consent of the Senate, directs ATPA's operations. The director of MSP serves as the Board chairman. The Board officially began operations on October 1, 1986. Act 174, P.A. 1992, which became effective on July 23, 1992, made ATPA a permanent part of MSP.

ATPA awards funds to law enforcement agencies, local prosecutors, and nonprofit community organizations for

* See glossary at end of report for definition.

programs designed to reduce automobile theft. The funding for these grants comes from assessments paid by automobile insurance policyholders. Annually, each insurance company authorized to write automobile insurance in the State of Michigan must remit to ATPA an assessment equal to \$1 multiplied by the insurer's total earned car years of insurance. An "earned car year" is defined as 12 months of insurance coverage on a vehicle. For example, if an agent insured 12 different cars for 1 month each, the total assessment would be one earned car year. Likewise, 12 different cars insured for 12 months each would equal 12 earned car years.

For the fiscal year ended September 30, 1998, ATPA received approximately \$6 million in assessments from insurance companies. Since ATPA began its operations in 1986, total revenues have exceeded \$78 million (this includes the annual assessments collected from insurance companies and interest earned on unexpended funds). Expenditures for automobile theft prevention programs for this same period totaled approximately \$70 million.

As of July 31, 1999, ATPA's staff consisted of five employees. Total program expenditures for the fiscal year ended September 30, 1998 were approximately \$5.8 million.

**AUDIT OBJECTIVE,
CONCLUSION, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness of ATPA in administering grants for automobile theft prevention programs.

Conclusion: We concluded that ATPA was generally effective in administering grants for automobile theft prevention programs. However, we noted reportable

conditions* related to the analysis of automobile theft prevention methods and grant payments (Findings 1 and 2).

Noteworthy Accomplishments: ATPA reported that, during 1998, 17 law enforcement programs funded by ATPA recovered 2,824 vehicles with an estimated value of \$26 million and 2,438 individuals were arrested. During 1998, 5 county prosecutors funded by ATPA grants issued 2,202 arrest warrants. ATPA provided materials and instruction to agencies throughout Michigan for etching vehicle identification numbers on windshields. ATPA reported that nearly 6,000 vehicles are etched annually.

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of the Automobile Theft Prevention Authority. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included the testing of records primarily covering the period August 1, 1997 through July 31, 1999. We conducted a preliminary survey of ATPA's operations to gain an understanding of the activities and to form a basis for selecting certain operations for audit. This included discussions with staff regarding their functions and responsibilities and reviews of program records and annual reports.

We examined program activity data and compared Michigan vehicle theft with national data for analyses of trends of automobile thefts and related arrests. We

* See glossary at end of report for definition.

reviewed ATPA's controls and procedures for awarding grant funds, for verifying grant fund expenditures, and for assessing the results and outcomes of the programs funded.

Also, we conducted surveys (see supplemental information) requesting feedback from various entities related to automobile theft prevention activities within their respective communities and their satisfaction with ATPA activities.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report includes 2 findings and 2 corresponding recommendations. The agency preliminary response indicated that ATPA agreed with both recommendations.

ATPA complied with 6 of the 7 prior audit recommendations. One prior audit recommendation is repeated in this report.

Colonel Michael D. Robinson, Chairman
Automobile Theft Prevention Authority
714 South Harrison Road
East Lansing, Michigan

Dear Colonel Robinson:

This is our report on the performance audit of the Automobile Theft Prevention Authority, Michigan Department of State Police.

This report contains our executive digest; description of agency; audit objective, scope, and methodology and agency responses and prior audit follow-up; comment, findings, recommendations, and agency preliminary responses; description of surveys and summaries of survey responses, presented as supplemental information; and a glossary of acronyms and terms.

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

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

AUDITOR GENERAL

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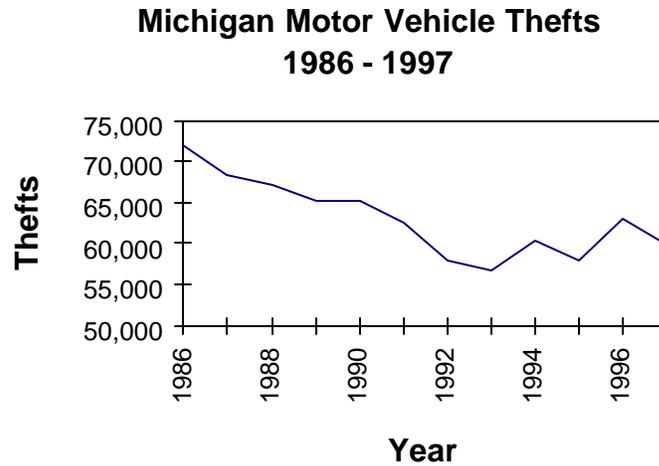
Description of Agency

The Automobile Theft Prevention Authority (ATPA) was established by Act 10, P.A. 1986 (Sections 500.6101 - 500.6111 of the *Michigan Compiled Laws*). ATPA was specifically created to reduce automobile theft in Michigan. A seven-member Board of Directors, appointed by the Governor with the advice and consent of the Senate, directs ATPA's operations. The director of the Michigan Department of State Police (MSP) serves as the Board chairman. The Board officially began operations on October 1, 1986. Act 174, P.A. 1992, which became effective on July 23, 1992, made ATPA a permanent part of MSP.

ATPA awards funds to law enforcement agencies, local prosecutors, and nonprofit community organizations for programs designed to reduce automobile theft. The funding for these grants comes from assessments paid by automobile insurance policyholders. Annually, each insurance company authorized to write automobile insurance in the State of Michigan must remit to ATPA an assessment equal to \$1 multiplied by the insurer's total earned car years of insurance. An "earned car year" is defined as 12 months of insurance coverage on a vehicle. For example, if an agent insured 12 different cars for 1 month each, the total assessment would be one earned car year. Likewise, 12 different cars insured for 12 months each would equal 12 earned car years.

For the fiscal year ended September 30, 1998, ATPA received approximately \$6 million in assessments from insurance companies. Since ATPA began its operations in 1986, total revenues have exceeded \$78 million (this includes the annual assessments collected from insurance companies and interest earned on unexpended funds). Expenditures for automobile theft prevention programs for this same period totaled approximately \$70 million.

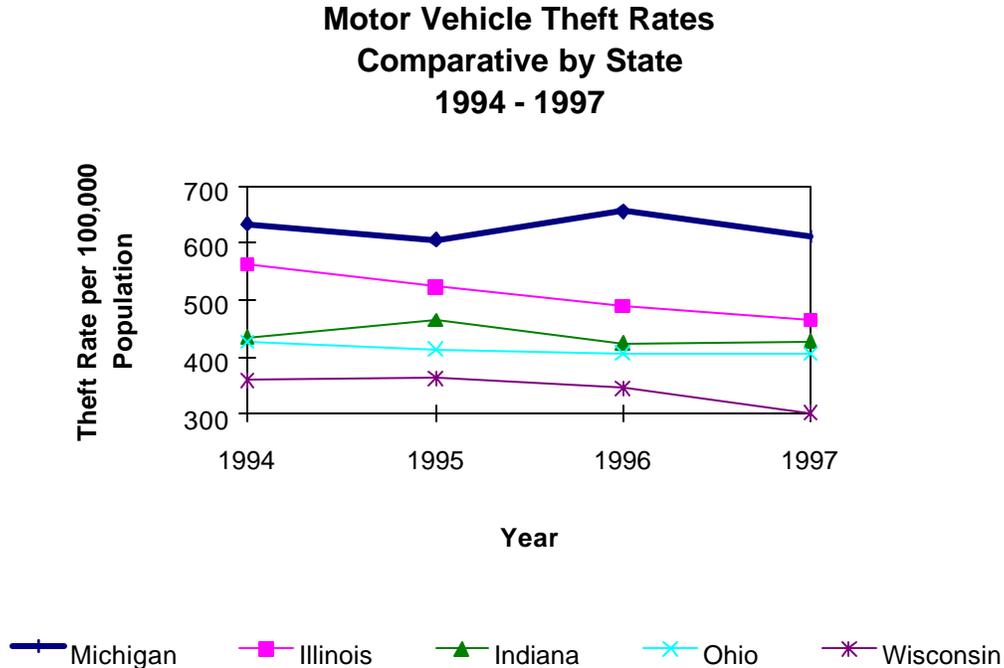
As shown in the following graph, motor vehicle thefts in Michigan decreased from 72,021 in 1986 to 59,826 in 1997, an overall decrease of 17%:



Source: Annual Uniform Crime Report, Michigan Department of State Police.

Nationally, during the same period, motor vehicle thefts increased by 11%. We also compared the decrease in vehicle thefts in Michigan with similar data from surrounding states. Illinois (the only surrounding state with an automobile theft prevention program similar to Michigan's) was the only state to record a reduction (a decrease of 24%) in motor vehicle thefts. Indiana, Wisconsin, and Ohio showed increases in motor vehicle thefts of 39%, 29%, and 12%, respectively.

As shown in the following graph, the motor vehicle theft rate per 100,000 population in Michigan decreased since our prior audit from 634 in 1994 to 612 in 1997, a decrease of 3%:



Source: Annual Uniform Crime Reporting Program, Federal Bureau of Investigation.

Nationally, during the same period, the motor vehicle theft rate per 100,000 population decreased by 14%. Illinois, Wisconsin, Ohio, and Indiana all showed decreases in motor vehicle theft rate per 100,000 population of 17%, 16%, 5%, and 2%, respectively.

Budgeting, procurement, and other miscellaneous administrative services are provided to ATPA by MSP. For fiscal year 1997-98, MSP was appropriated \$21,000 from ATPA funds for these services.

As of July 31, 1999, ATPA's staff consisted of five employees. Total program expenditures for the fiscal year ended September 30, 1998 were approximately \$5.8 million.

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

Audit Objective

Our audit objective for the performance audit of the Automobile Theft Prevention Authority (ATPA), Michigan Department of State Police (MSP), was to assess the effectiveness of ATPA in administering grants for automobile theft prevention programs.

Audit Scope

Our audit scope was to examine the program and other records of the Automobile Theft Prevention Authority. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures were conducted from June through August 1999 and included the testing of records primarily covering the period August 1, 1997 through July 31, 1999. We conducted a preliminary survey of ATPA's operations to gain an understanding of the activities and to form a basis for selecting certain operations for audit. This included discussions with staff regarding their functions and responsibilities and reviews of program records and annual reports. We also reviewed ATPA's meeting minutes.

We examined program activity data and compared Michigan vehicle theft with national data for analyses of trends of automobile thefts and related arrests. We reviewed ATPA's controls and procedures for awarding grant funds, for verifying grant fund expenditures, and for assessing the results and outcomes of the programs funded. Also, we conducted surveys (see supplemental information) requesting feedback from various entities related to automobile theft prevention activities within their respective communities and their satisfaction with ATPA activities.

Agency Responses and Prior Audit Follow-Up

Our audit report includes 2 findings and 2 corresponding recommendations. The agency preliminary response indicated that ATPA agreed with both recommendations.

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

ATPA complied with 6 of the 7 prior audit recommendations. One prior audit recommendation is repeated in this report.

COMMENT, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF GRANT ADMINISTRATION

COMMENT

Audit Objective: To assess the effectiveness of the Automobile Theft Prevention Authority (ATPA) in administering grants for automobile theft prevention programs.

Conclusion: We concluded that ATPA was generally effective in administering grants for automobile theft prevention programs. However, we noted reportable conditions related to the analysis of automobile theft prevention methods and grant payments.

Noteworthy Accomplishments: ATPA reported that, during 1998, 17 law enforcement programs funded by ATPA recovered 2,824 vehicles with an estimated value of \$26 million and 2,438 individuals were arrested. During 1998, 5 county prosecutors funded by ATPA grants issued 2,202 arrest warrants. ATPA provided materials and instruction to agencies throughout Michigan for etching vehicle identification numbers on windshields. ATPA reported that nearly 6,000 vehicles are etched annually.

FINDING

1. Analysis of Automobile Theft Prevention Methods

ATPA had not documented an analysis that compared the effectiveness of the different methods for preventing automobile theft.

Section 500.6110 of the *Michigan Compiled Laws* requires ATPA to implement a plan of operation that includes an analysis of various methods of combating the automobile theft problem. Section 500.6107 of the *Michigan Compiled Laws* requires that ATPA fund automobile theft programs based on the need and effectiveness of the programs operated.

The ATPA plan of operation identifies the methods to combat the automobile theft problem as: law enforcement, detection, and apprehension; prosecution, adjudication, and conviction; prevention; and anti-theft devices.

ATPA distributes approximately 89% of its grants to law enforcement agencies, 10% to local prosecutors, and 1% to nonprofit community organizations. During the last two years, total grants were \$5.4 million annually. Based on experiences with their funded programs, ATPA staff believed that the most effective methods of reducing automobile theft were the programs operated by the law enforcement agencies. However, ATPA did not document that these were the most effective ways of combating automobile theft.

ATPA has compiled extensive data and statistics related to the outputs of the funded agencies. However, this data did not include comparisons of the effectiveness of the methods for combating automobile theft identified in its plan of operation.

RECOMMENDATION

WE AGAIN RECOMMEND THAT ATPA DOCUMENT AN ANALYSIS THAT COMPARES THE EFFECTIVENESS OF THE DIFFERENT METHODS FOR PREVENTING AUTOMOBILE THEFT.

AGENCY PRELIMINARY RESPONSE

ATPA agreed with this recommendation. ATPA informed us that the ATPA Board and staff are continually looking for effective means for combating automobile theft. Starting in 2000, the Board has initiated a new concept in automobile theft prevention called the Innovative Grant Program, which streamlines the process in order to generate unique approaches in dealing with automobile theft. In addition, ATPA will develop a questionnaire or survey that will be sent out to affected parties within Michigan as well as across the country. The results of this survey will be analyzed to determine which programs are effective and, thus, will serve as a basis for future funding decisions.

FINDING

2. Grant Payments

ATPA staff did not reimburse all grantees in a timely manner.

The ATPA policy states that reimbursements will be made to grantees within two weeks from the date that ATPA receives the grantees' quarterly financial reports.

In our sample, 7 of 13 grantees were reimbursed for at least one of their quarterly grant payments from 20 to 67 days after ATPA received the quarterly financial reports. The average time for reimbursement for these 7 grant payments was 41 days after ATPA received the reports. The late quarterly grant payments ranged from \$24,000 to \$232,000.

Reimbursements that are not made in a timely manner may interfere with a grantee's ability to operate effectively.

RECOMMENDATION

We recommend that ATPA staff reimburse all grantees in a timely manner.

AGENCY PRELIMINARY RESPONSE

ATPA agreed with this recommendation. ATPA informed us that changes have been made with the reimbursement process and payments are now made within two weeks. In two cases, the 67-day delays were because of insufficient detail from the grantee, and payment was held until sufficient detail was provided. In another case (a 42-day delay), payment was withheld until the grantee provided the required budget modification. In the remaining cases, there was a conflict with either staff training or annual leave schedules. ATPA informed us that this potential problem has been corrected.

SUPPLEMENTAL INFORMATION

Description of Surveys

We developed three surveys (Exhibits A through C) requesting feedback from various entities related to automobile theft prevention activities within their respective communities and their satisfaction with the focus and effectiveness of the Automobile Theft Prevention Authority (ATPA) activities:

1. Funded Grantees (Exhibit A)

We mailed 32 surveys to law enforcement agencies, local prosecutors, and nonprofit community organizations who received grants. We received a total of 22 responses, which are summarized in Exhibit A. A review of the responses indicated that a vast majority of the respondents were highly satisfied with the contacts and the activities of ATPA. Some respondents were dissatisfied with the matching funds requirement of 25% local funds.

2. Unfunded Programs (Exhibit B)

We mailed 8 surveys to law enforcement agencies and nonprofit community organizations that did not receive funding. We received a total of 2 responses, which are summarized in Exhibit B. A review of the responses indicated that one respondent was satisfied with the contacts and activities of ATPA and the other respondent was dissatisfied.

3. Insurance Companies (Exhibit C)

We mailed 10 surveys to insurance companies. We received a total of 5 responses, which are summarized in Exhibit C. A review of the responses indicated that the majority of the respondents were satisfied with the contacts and activities of ATPA.

AUTOMOBILE THEFT PREVENTION AUTHORITY

Michigan Department of State Police

Funded Grantees

Summary of Survey Responses

Surveys Distributed 32
 Responses (N=) 22
 Response Rate 69%

1. How would you rate your satisfaction with the frequency of contacts between you and the Automobile Theft Prevention Authority (ATPA)?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
21 95%				1 5%

2. How would you rate your satisfaction with the grant awarding process of ATPA?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
18 81%	2 9%	1 5%		1 5%

3. How would you rate your satisfaction with the accessibility of ATPA staff?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
22 100%				

4. How would you rate your satisfaction with the monitoring activities of ATPA staff?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
20 91%	2 9%			

5. How would you rate your satisfaction with the timely distribution of grant funds by ATPA?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
14 63%	3 14%			5 23%

6. How would you rate your satisfaction with the matching funds requirement of 25% local funds?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
8 36%	3 14%	4 18%	4 18%	3 14%

7. How would you rate your satisfaction with the overall functioning of the ATPA program?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
18 82%	2 9%			2 9%

8. Do you have any specific concerns that have not been addressed by ATPA staff?

Yes	No	No Responses
1 4%	18 82%	3 14%

AUTOMOBILE THEFT PREVENTION AUTHORITY

Michigan Department of State Police

Unfunded Programs

Summary of Survey Responses

Surveys Distributed 8
 Responses (N=) 2
 Response Rate 25%

1. How would you rate your satisfaction with the frequency of contacts between you and the Automobile Theft Prevention Authority (ATPA)?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
1 50%			1 50%	

2. How would you rate your satisfaction with the grant awarding process of ATPA?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
	1 50%		1 50%	

3. How would you rate your satisfaction with the accessibility of ATPA staff?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
1 50%				1 50%

4. How would you rate your satisfaction with the timeliness of your grant notification?

Highly Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Highly Dissatisfied	No Opinion
1 50%			1 50%	

5. How would you rate your satisfaction with the explanation of grant notification by ATPA staff?

<u>Highly Satisfied</u>	<u>Somewhat Satisfied</u>	<u>Somewhat Dissatisfied</u>	<u>Highly Dissatisfied</u>	<u>No Opinion</u>
1			1	
50%			50%	

6. How would you rate your satisfaction with the completion of your program without ATPA funding?

<u>Highly Satisfied</u>	<u>Somewhat Satisfied</u>	<u>Somewhat Dissatisfied</u>	<u>Highly Dissatisfied</u>	<u>No Opinion</u>
			1	1
			50%	50%

7. How would you rate your satisfaction with the overall functioning of the ATPA program?

<u>Highly Satisfied</u>	<u>Somewhat Satisfied</u>	<u>Somewhat Dissatisfied</u>	<u>Highly Dissatisfied</u>	<u>No Opinion</u>
1			1	
50%			50%	

8. Do you have any specific concerns that have not been addressed by ATPA staff?

<u>Yes</u>	<u>No</u>
	2
	100%

AUTOMOBILE THEFT PREVENTION AUTHORITY

Michigan Department of State Police

Insurance Companies

Summary of Survey Responses

Surveys Distributed 10
 Responses (N=) 5
 Response Rate 50%

1. How would you rate your satisfaction with the frequency of contacts between you and the Automobile Theft Prevention Authority (ATPA)?

<u>Highly Satisfied</u>	<u>Somewhat Satisfied</u>	<u>Somewhat Dissatisfied</u>	<u>Highly Dissatisfied</u>	<u>No Opinion</u>
3 60%	1 20%			1 20%

2. How would you rate your satisfaction with the annual assessment provided to ATPA (\$1 per private passenger car per policy year) for the automobile theft prevention program?

<u>Highly Satisfied</u>	<u>Somewhat Satisfied</u>	<u>Somewhat Dissatisfied</u>	<u>Highly Dissatisfied</u>	<u>No Opinion</u>
2 40%	2 40%			1 20%

3. How would you rate your satisfaction with the accessibility of ATPA staff?

<u>Highly Satisfied</u>	<u>Somewhat Satisfied</u>	<u>Somewhat Dissatisfied</u>	<u>Highly Dissatisfied</u>	<u>No Opinion</u>
3 60%	1 20%			1 20%

4. How would you rate your satisfaction with the overall functioning of the ATPA program?

<u>Highly Satisfied</u>	<u>Somewhat Satisfied</u>	<u>Somewhat Dissatisfied</u>	<u>Highly Dissatisfied</u>	<u>No Opinion</u>
2 40%	3 60%			

5. Do you have any specific concerns that have not been addressed by ATPA staff?

<u>Yes</u>	<u>No</u>
	5 100%

Glossary of Acronyms and Terms

ATPA	Automobile Theft Prevention Authority.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
MSP	Michigan Department of State Police.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.