

PERFORMANCE AUDIT
OF THE
MICHIGAN PUBLIC SERVICE COMMISSION
DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

July 2000

EXECUTIVE DIGEST

MICHIGAN PUBLIC SERVICE COMMISSION

INTRODUCTION

This report, issued in July 2000, contains the results of our performance audit* of the Michigan Public Service Commission (MPSC), Department of Consumer and Industry Services.

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

MPSC is composed of three commissioners appointed by the Governor, with the advice and consent of the Senate, for staggered six-year terms.

For fiscal year 1997-98, MPSC expended approximately \$14.5 million to regulate Michigan's electric, gas, and communications utilities; oil and gas pipelines; and intrastate motor carriers*. As of August 31, 1999, MPSC had 145 full-time equated employees.

AUDIT OBJECTIVES AND CONCLUSIONS

Audit Objective: To assess the soundness of MPSC's performance measures* to evaluate MPSC's goals* and objectives*.

* See glossary at end of report for definition.

Conclusion: We concluded that MPSC's performance measures were generally sound and MPSC's goals and objectives were generally effective. However, we noted a reportable condition* related to the continuous quality improvement process (Finding 1).

Audit Objective: To assess the complaint process to ensure that customers of regulated utility* and motor carrier companies received effective and timely responses to their complaints related to communications, power outages* , and motor carrier issues.

Conclusion: We concluded that the complaint process to ensure that customers of regulated utility and motor carrier companies received effective and timely responses to their complaints related to communications, power outages, and motor carrier activity was generally effective. However, we noted a reportable condition related to the handling of complaints (Finding 2).

Audit Objective: To determine the accuracy of the utility assessments.

Conclusion: We concluded that the utility assessments were materially correct. However, we noted a reportable condition related to costs of regulating public utilities (Finding 3).

Audit Objective: To assess the effectiveness of the Licensing and Enforcement Division's efforts to ensure that regulated motor carrier operators operate in a safe manner.

Conclusion: We concluded that the Licensing and Enforcement Division's efforts to ensure that regulated

* See glossary at end of report for definition.

motor carrier operators operate in a safe manner were generally effective. However, we noted reportable conditions related to authority registration, periodic safety status reviews, and year-end accounts receivable (Findings 4 through 6).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Michigan Public Service Commission. 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 examining MPSC's records for the period October 1, 1996 through August 31, 1999. Our methodology also included a preliminary survey, which consisted of interviewing various personnel and reviewing reports and procedures to gain an understanding of, and to form a basis for selecting, MPSC operations to audit. We reviewed the goals and objectives of MPSC as they related to its mission* . In addition, we conducted a survey of other states relating to the complaint process in addition to conducting tests of complaints, motor carrier safety, and utility assessments.

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

MPSC complied with 3 of the 9 prior audit recommendations included within the scope of our current audit. One prior audit recommendation is repeated in this audit report, and 5 were rewritten for inclusion in this report.

MPSC's preliminary response indicated that it has taken steps to comply with all of the recommendations.

* See glossary at end of report for definition.

This page left intentionally blank.

July 26, 2000

Mr. John G. Strand, Chairperson
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan
and
Ms. Kathleen M. Wilbur, Director
Department of Consumer and Industry Services
G. Mennen Williams Building
Lansing, Michigan

Dear Mr. Strand and Ms. Wilbur:

This is our report on the performance audit of the Michigan Public Service Commission, Department of Consumer and Industry Services.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

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

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

AUDITOR GENERAL

This page left intentionally blank.

TABLE OF CONTENTS

MICHIGAN PUBLIC SERVICE COMMISSION DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

INTRODUCTION

	<u>Page</u>
Executive Digest	1
Report Letter	5
Description of Agency	8
Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up	9

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

Performance Measures and Related Outcomes	11
1. Continuous Quality Improvement Process	11
Complaint Process	13
2. Handling of Complaints	15
Utility Assessments	17
3. Costs of Regulating Public Utilities	17
Effectiveness of the Licensing and Enforcement Division	19
4. Authority Registration	20
5. Periodic Safety Status Reviews	21
6. Year-End Accounts Receivable	22

GLOSSARY

Glossary of Acronyms and Terms	24
--------------------------------	----

Description of Agency

The Michigan Public Service Commission (MPSC), Department of Consumer and Industry Services, is composed of three commissioners appointed by the Governor, with the advice and consent of the Senate, for staggered six-year terms. No more than two of the three members can be of the same political party.

MPSC oversees Michigan's regulated electric, gas, and telephone utilities and oil and gas pipelines. MPSC is empowered in varying degrees to regulate rates, services, rules, condition of services, and other matters relating to the operations of public utilities. The electric, gas, and communications utilities are in various stages of deregulation* , with communications being the furthest along. Municipally owned utilities are not included in MPSC's jurisdiction.

MPSC, through the Licensing and Enforcement Division, provides for the registration, safety, and insurance regulation of the intrastate for-hire motor carriers.

For fiscal year 1997-98, MPSC expended approximately \$14.5 million. As of August 31, 1999, MPSC had 145 full-time equated employees.

* See glossary at end of report for definition.

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

Audit Objectives

Our performance audit of the Michigan Public Service Commission (MPSC), Department of Consumer and Industry Services, had the following objectives:

1. To assess the soundness of MPSC's performance measures to evaluate MPSC's goals and objectives.
2. To assess the complaint process to ensure that customers of regulated utility and motor carrier companies received effective and timely responses to their complaints related to communications, power outages, and motor carrier issues.
3. To determine the accuracy of the utility assessments.
4. To assess the effectiveness of the Licensing and Enforcement Division's efforts to ensure that regulated motor carrier operators operate in a safe manner.

Audit Scope

Our audit scope was to examine the program and other records of the Michigan Public Service Commission. 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 performed between May and September 1999 and included examining MPSC's records for the period October 1, 1996 through August 31, 1999. Our methodology included a preliminary survey, which consisted of interviewing various personnel and reviewing reports and procedures to gain an understanding of, and to form a basis for selecting, MPSC operations to audit. To accomplish our first objective, we reviewed the goals and objectives of MPSC as they related to its mission.

To accomplish our second objective, we conducted a survey of other states relating to the complaint process in addition to conducting tests of complaints, motor carrier safety, and utility assessments. We also reviewed complaint files maintained by MPSC.

To accomplish our third objective, we determined what costs were allocated to the utilities and how those costs were allocated.

To accomplish our fourth objective, we analyzed various management reports related to the Licensing and Enforcement Division.

Agency Responses and Prior Audit Follow-Up

MPSC complied with 3 of the 9 prior audit recommendations included within the scope of our current audit. One prior audit recommendation is repeated in this audit report, and 5 were rewritten for inclusion in this report.

MPSC's preliminary response indicated that it has taken steps to comply with all of the recommendations.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

PERFORMANCE MEASURES AND RELATED OUTCOMES

COMMENT

Background: The Michigan Public Service Commission's (MPSC's) mission is to fulfill its statutory responsibilities in a manner that is responsive to the needs of Michigan citizens, to encourage efficient provision of utility services, to enhance economic development, and to strengthen Michigan's competitive environment. MPSC's primary statutory responsibilities include regulation of electric utilities, natural gas, telecommunications services, and motor carriers.

Audit Objective: To assess the soundness of MPSC's performance measures to evaluate MPSC's goals and objectives.

Conclusion: We concluded that MPSC's performance measures were generally sound and MPSC's goals and objectives were generally effective. However, we noted a reportable condition related to the continuous quality improvement process.

FINDING

1. Continuous Quality Improvement Process

MPSC's continuous quality improvement process did not include some key elements necessary to evaluate and improve its effectiveness in meeting its goals.

A continuous quality improvement process should gather data related to the operations of the entity; use performance indicators for measuring outputs and/or outcomes; establish performance goals that describe the desired level of outcomes; and compare performance data with the desired outputs and/or outcomes. Actual outcomes should have a positive impact on the program.

MPSC has established a management information system to gather data on consumer complaints and inquiries. However, MPSC should include elements

necessary to evaluate data collected as part of its continuous quality improvement process.

We noted:

- a. MPSC had established a measurable performance goal for handling complaints against motor carriers; however, it had not established performance indicators to measure the achievement of this goal. In addition, MPSC had not established measurable performance goals for handling consumer complaints against utility companies. Because of the volume of these complaints (23,370 and 16,402 consumer complaints and inquiries in 1998 and 1997, respectively), measurable and quantifiable goals, including specific time frames in which to resolve complaints, would have helped to provide a basis to assess the effectiveness of the complaint process. As noted in Finding 2, over 30% of the complaints remained open for more than six months. MPSC should determine the effectiveness of its complaint handling process to ensure that responsive action is directed toward the concerns of Michigan rate payers, when possible. Many of the areas where complaints originate are not regulated by MPSC; however, MPSC still attempts to resolve the complaints.

- b. MPSC had not established measurable performance goals for monitoring and evaluating power outages. MPSC obtained a significant amount of data regarding power outages that included the frequency, location, cause, and duration of the outages. However, MPSC had not established any criteria to routinely evaluate this information. MPSC should have criteria to evaluate the frequency and causes of power outages to help attain MPSC's goal of minimizing hardship and economic disruption in times of service reduction or energy curtailment.

Developing a continuous quality improvement process to evaluate the effectiveness of meeting its goals is essential to ensure that MPSC can identify and make needed program revisions and to ensure the effective use of MPSC's funds.

RECOMMENDATION

We recommend that MPSC refine its continuous quality improvement process to include the key elements necessary to evaluate and improve its effectiveness in meeting its goals.

AGENCY PRELIMINARY RESPONSE

MPSC agrees and informed us that it constantly reviews and refines its quality improvement processes and the performance measures used to evaluate, improve, and report such processes.

The performance goals and measurements for tracking motor carrier complaints and ensuring compliance with safety and fitness standards are undergoing thorough evaluation.

MPSC also informed us that it is now including program objectives in its performance measures for complaints regarding utility companies.

COMPLAINT PROCESS

COMMENT

Background: Deregulation of the communications and gas industries and the start of deregulation in the electric industries has encouraged more companies to enter the related markets. Many of these companies were not regulated by MPSC; however, MPSC still received complaints regarding the nonregulated companies, which it

attempted to resolve. The increase in providers has contributed to the increase in complaints and inquiries as noted in the following table:

Utility	Complaints and Inquiries for Calendar Year				
	1996	1997	Percent of Change From the Prior Year	1998	Percent of Change From the Prior Year
	Number	Number		Number	
Electric	2,762	3,190	15% increase	4,555	43% increase
Gas	2,278	2,560	12% increase	3,062	20% increase
Telephone	<u>8,530</u>	<u>10,652</u>	25% increase	<u>15,753</u>	48% increase
Total	<u>13,570</u>	<u>16,402</u>	21% increase	<u>23,370</u>	42% increase
Staff assigned	13	11		12	

Source: MPSC web site.

In 1997, MPSC implemented an automated system to help manage the increase in complaints. This system has improved the complaint process by providing a method to gather and evaluate complaint data.

In 1996, MPSC began implementing the Federal Telecommunications Act, which provides for the resolution of interconnection* and other issues between an incumbent local telephone service provider and competing providers. This included MPSC taking action designed to increase customer choice for Michigan telephone customers by granting competing licenses or approving expansions to existing licenses to companies to provide basic telephone services in Michigan. A rapidly growing list of companies was granted licenses or received approval to expand their service areas in 1996. A significant increase in marketing abuses, such as slamming* and cramming*, took place as the number of companies in the market increased. Many of the new telecommunications companies did not come under MPSC's authority, thereby making it difficult to resolve complaints related to them. Slamming complaints and inquiries increased by 714 (90%) in 1997 and by 1,350 (89%) in 1998.

In 1998, MPSC approved a pilot customer choice program* for three of the State's natural gas utility companies. This program opened up the gas market to many new

* See glossary at end of report for definition.

companies to provide customers the option of choosing their own gas suppliers. Also, MPSC's database shows that in 1998, with the implementation of the customer choice programs, gas complaints and inquiries increased by over 300 (60%). In the first six months of 1999, gas complaints and inquiries exceeded 2,900 (88%) of the 3,284 complaints and inquiries received in 1998. Over 1,300 (45%) of the 2,900 complaints and inquiries related to the pilot customer choice programs.

MPSC is in the process of deregulating electric utilities in the State of Michigan. This process will open the source of electricity to competition while continuing to regulate the transmission and distribution of electricity. An increase in electrical complaints and inquiries has resulted because of an increase in billing and service problems. Based on past experience, an increase in the number of complaints and inquiries will likely continue as the number of electricity providers and suppliers increases.

Audit Objective: To assess the complaint process to ensure that customers of regulated utility and motor carrier companies received effective and timely responses to their complaints related to communications, power outages, and motor carrier issues.

Conclusion: We concluded that the complaint process to ensure that customers of regulated utility and motor carrier companies received effective and timely responses to their complaints related to communications, power outages, and motor carrier activity was generally effective. However, we noted a reportable condition related to the handling of complaints.

FINDING

2. Handling of Complaints

MPSC needs to improve its monitoring of customer complaints and inquiries regarding electric, gas, and telephone utilities and implement steps to address the complaints received in a more timely manner.

Michigan Administrative Code R 460.2142, 460.2082, and 484.361 require utilities to establish procedures that will ensure the prompt, efficient, and thorough receipt, investigation, and resolution of all customer inquiries, service requests, and complaints.

Of MPSC's 2,086 open complaints as of June 30, 1999, 657 (31%) had been open for more than 6 months:

Division	6 months old or less	Between 6 months and 18 months old	More than 18 months old	Total
Electric	43	60	16	119
Gas	352	417	44	813
Communications	<u>1,034</u>	<u>105</u>	<u>15</u>	<u>1,154</u>
Total	<u>1,429</u>	<u>582</u>	<u>75</u>	<u>2,086</u>

Our review of 100 open and closed complaints during the period October 1, 1996 through June 30, 1999 disclosed problems with 65 of the complaints:

- a. MPSC did not always refer complaints to the utility companies in a timely manner. Thirteen (18%) of the 72 complaints referred to the utilities were not referred in a timely manner, which caused additional delays of 6 to 38 days to resolve the complaints. The divisions have informally set 10 days as their goal to resolve complaints.
- b. MPSC did not always ensure that utility companies resolved the complaints in a timely manner. Nineteen (26%) of the 72 complaints referred to the utilities took between 10 to 29 days to resolve, while 6 (8%) took over 30 days.
- c. MPSC did not document when the customers submitted or called in their complaints for 30 (30%) of the 100 complaints. In addition, MPSC did not document a response from the respective utility company for 4 (6%) of the 72 complaints referred.

MPSC did not always update the database in a timely manner. MPSC did not correctly update its database for 9 (9%) of the 100 complaints. Also, MPSC did not record a status (open or closed) for 3,113 (7%) of the 45,246 complaints and inquiries received between October 1, 1996 and June 30, 1999.

These issues resulted, in part, from MPSC not having a formalized plan or procedures for handling and monitoring customer complaints and inquiries as deregulation increased. This has caused delays and inefficiencies in responding to consumer

concerns and has limited the divisions' ability to accomplish MPSC's goal of ensuring that responsive action is directed toward recognized concerns of Michigan rate payers.

RECOMMENDATION

We recommend that MPSC improve its monitoring of customer complaints and inquiries regarding electric, gas, and telephone utilities and implement steps to address the complaints received in a more timely manner.

AGENCY PRELIMINARY RESPONSE

MPSC agrees and informed us that it has implemented a complaint processing system. The operational and data gathering components of this system were still being debugged during the audit period. The second phase of this implementation is now underway, including development of exception reports, which will deal with aging and incomplete records. These reports will assist management in monitoring the completeness of complaint data files, monitoring the timeliness of complaint resolution by the service providers, and identifying areas where internal procedures may need to be improved.

UTILITY ASSESSMENTS

COMMENT

Audit Objective: To determine the accuracy of the utility assessments.

Conclusion: We concluded that the utility assessments were materially correct. However, we noted a reportable condition related to costs of regulating public utilities.

FINDING

3. Costs of Regulating Public Utilities

The Department of Consumer and Industry Services could not provide the supporting detail for certain administrative costs allocated to the regulation of public utilities and did not allocate these costs to all applicable programs.

Section 460.112 of the *Michigan Compiled Laws* requires that the Department assess all regulated public utilities for the amount of the annual appropriation attributable to the regulation of public utilities. Section 460.115 of the *Michigan Compiled Laws* further requires that the assessments paid by the public utilities be used solely to finance the cost of regulating public utilities.

Our review of the costs allocated to the appropriation for regulating public utilities in fiscal year 1997-98 disclosed:

- a. The Department could not provide documentation to support \$1,311,200 in costs allocated for technology support. Department staff informed us that funding for these costs is based on historical amounts and is not associated with specific charges to MPSC.
- b. The Department charged approximately \$238,000 of MPSC commissioners' salaries entirely to the utility assessment. It did not allocate any costs for the salaries to the appropriation for motor carrier fees, which is also under the commissioners' statutory responsibility. Based on overall appropriations, the Licensing and Enforcement Division's allocation should have included approximately \$30,000 of the salaries in its costs, thereby decreasing the utility assessment by that amount.
- c. The Department charged approximately \$4,000,000 of MPSC administrative and support costs entirely to the utility assessment. It did not allocate any of these costs to the appropriation for motor carrier fees, even though MPSC's responsibilities include the regulation of both utilities and motor carriers. Based on overall appropriations, the Licensing and Enforcement Division's allocation should have included approximately \$547,000 of the administrative and support expenditures in its costs, thereby decreasing the utility assessment by that amount.

Without appropriate documentation and methodology to support the allocation of these costs, MPSC cannot ensure that the assessments paid by public utilities were correct and that the revenue collected was used solely to support the costs of regulating these utilities.

RECOMMENDATION

We recommend that the Department maintain the supporting detail for all administrative costs allocated to the regulation of public utilities and allocate these costs to all applicable programs.

AGENCY PRELIMINARY RESPONSE

The Department agrees and will maintain supporting documentation for all applicable administration cost allocations. The Department informed us that the following methodology was used to fund or allocate applicable administrative costs:

- a. The Department has always charged the public utility assessments appropriated to fund the technology support appropriation in the full amount. The Department has used general fund/general purpose funding as the last source.
- b. The MPSC commissioners' salaries are charged to the unclassified salaries appropriation. There are no motor carrier fees appropriated to fund this line item.
- c. Each year, the coding used to charge expenditures is reviewed.

EFFECTIVENESS OF THE LICENSING AND ENFORCEMENT DIVISION

COMMENT

Audit Objective: To assess the effectiveness of the Licensing and Enforcement Division's efforts to ensure that regulated motor carrier operators operate in a safe manner.

Conclusion: We concluded that the Licensing and Enforcement Division's efforts to ensure that regulated motor carrier operators operate in a safe manner were generally effective. However, we noted reportable conditions related to authority registration, periodic safety status reviews, and year-end accounts receivable.

FINDING

4. Authority Registration

MPSC had not implemented procedures to determine the operating status of interstate and intrastate carriers who did not renew their authority to operate in Michigan from the prior year.

Section 476.1(1) of the *Michigan Compiled Laws* requires all motor carriers of property to obtain a certificate of authority for all vehicles from MPSC before operating on Michigan highways.

The Licensing and Enforcement Division identified over 200 carriers in 1999, with an indeterminable number of vehicles, that had not renewed their authorities from the prior year. Division staff informed us that they did not conduct a comprehensive follow-up to determine the reasons why the renewals did not occur.

As a result, the Division cannot ensure that all applicable carriers and vehicles are registered and, therefore, are effectively monitored for safety concerns.

RECOMMENDATION

We recommend that MPSC implement procedures to determine the operating status of interstate and intrastate carriers who did not renew their authority to operate in Michigan from the prior year.

AGENCY PRELIMINARY RESPONSE

MPSC agrees and informed us that it has implemented the following year-end renewal process. Nonrenewal lists of all Michigan carriers who have failed to renew their authorities for the coming year are prepared by the Operations Section of the Licensing and Enforcement Division. Follow-up letters are then sent out to those carriers not renewing their authorities to pressure them to comply with authority requirements. Commencing this year, follow-up calls will also be made to nonrenewing intrastate carriers to ensure that these carriers are not continuing intrastate operations in Michigan. Where appropriate, carriers will be referred to the Safety and Compliance Unit for enforcement action. A similar follow-up calling procedure is under evaluation for interstate carriers registered under the Single State Registration System that fail to renew their registrations in Michigan.

FINDING

5. Periodic Safety Status Reviews

MPSC did not periodically review motor carrier safety inspection information to determine if all motor carriers with current authorizations were providing services in a safe manner.

Section 475.2 of the *Michigan Compiled Laws* requires MPSC to regulate motor carriers to protect the safety and welfare of the public. MPSC considers motor carriers to be providing unsafe services when they receive a United States Department of Transportation (USDOT) conditional or unsatisfactory safety rating, they receive a higher-than-average out-of-service violation* percentage, or they are found to be in noncompliance with follow-up inspection requirements from the Motor Carrier Division, Michigan Department of State Police.

Our review of 25 randomly selected intrastate carriers with current MPSC authority identified 21 carriers that received a current rating or inspection, 10 (48%) of which did not meet the minimum safety requirements. MPSC reviews carriers with unsatisfactory USDOT safety ratings only at the end of each calendar year. This practice can result in unsafe carriers operating for up to 12 months without a review.

MPSC had not assigned the responsibility to periodically review certified carriers to any staff person. The decision not to review carriers periodically to determine if they meet minimum safety requirements can result in allowing unsafe carriers to remain on the highways.

RECOMMENDATION

We recommend that MPSC periodically review motor carrier safety inspection information to determine if all motor carriers with current authorizations are providing services in a safe manner.

* See glossary at end of report for definition.

AGENCY PRELIMINARY RESPONSE

MPSC agrees and informed us that, effective immediately, the Safety and Compliance Unit of the Licensing and Enforcement Division has instituted quarterly safety reviews of certified Michigan intrastate carriers using the USDOT's Safestat Program to identify problem carriers. Carriers for review will be selected from the Safestat "A List," which is published quarterly. The "A List" gives carriers with the poorest USDOT safety scores based upon roadside driver and vehicle inspections, on-site compliance reviews, and police accident reports. Follow-up compliance action will then be taken as appropriate.

FINDING

6. Year-End Accounts Receivable

The Department did not record revenue and corresponding receivable amounts for outstanding assessments at year-end.

Department of Management and Budget Administrative Guide procedure 1210.27 requires the recording of revenues in the period that they become susceptible to accrual and are measurable.

Our review of uncollected assessments noted:

- a. Of the \$27,200 in violation assessments issued between January 1, 1997 and September 30, 1998, \$6,000 remained uncollected as of September 30, 1998 and was not included as part of the Department's accounts receivable. As a result, the Department understated revenue and receivable accounts for fiscal year 1996-97 by \$6,000.
- b. The Department did not record \$376,267 in uncollected assessments in the State's accounting system for fiscal year 1996-97. This resulted in understating revenue and accounts receivable by \$376,267 for fiscal year 1996-97.

We reported a similar condition in our prior audit report. The Department stated that it would comply with the prior audit finding.

The Department needs to properly record accruals to ensure the integrity of the Department's and the State's financial schedules.

RECOMMENDATION

WE AGAIN RECOMMEND THAT THE DEPARTMENT RECORD REVENUE AND CORRESPONDING RECEIVABLE AMOUNTS FOR OUTSTANDING ASSESSMENTS AT YEAR-END.

AGENCY PRELIMINARY RESPONSE

The Department agrees and will coordinate its efforts with the Finance Division to record revenue and receivable amounts for outstanding assessments, as applicable.

Glossary of Acronyms and Terms

cramming	The practice of placing unauthorized, misleading, or deceptive charges on consumers' telephone bills.
customer choice program	A program that allows utility customers the option to select a different company to supply electricity or natural gas to their home or business.
deregulation	The elimination of regulation from a previously regulated industry or sector of an industry.
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.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
interconnection	Allows customers of the competing local telephone service provider to place calls to and receive them from customers of the incumbent local telephone service provider.
mission	The agency's main purpose or the reason the agency was established.
motor carrier	A carrier of passengers or property in a commercial motor vehicle, which includes a person who owns or leases a commercial motor vehicle or who assigns employees to operate the vehicle. Motor carrier includes a motor carrier's agents, officers, and representatives as well as employees

responsible for hiring, supervising, training, assigning, or dispatching drivers and employees concerned with the installation, inspection, and maintenance of motor vehicle equipment and accessories.

MPSC

Michigan Public Service Commission.

objectives

Specific outputs a program seeks to perform and/or inputs a program seeks to apply in its efforts to achieve its goals.

out-of-service violation

A declaration by an authorized enforcement officer of a federal, State, Canadian, Mexican, or local jurisdiction that a driver, a commercial motor vehicle, or a motor carrier operation has violated applicable sections of the *Code of Federal Regulations*, compatible laws, or the North American Uniform Out-of-Service Criteria.

performance audit

An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

performance measures

Information of a quantitative or qualitative nature indicating program outcomes, outputs, or inputs. Performance measures are typically used to assess achievement of goals and/or objectives.

power outage

Any loss of power lasting longer than 5 minutes.

regulated utility	An electric, a gas, or a telephone company that provides services that are subject to the jurisdiction of the Michigan Public Service Commission.
reportable condition	A matter coming to the auditor's attention that, in the auditor's 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.
slamming	The practice of switching a customer's long distance carrier without his or her knowledge or consent.
USDOT	United States Department of Transportation.