



Michigan  
*Office of the Auditor General*  
**REPORT SUMMARY**

*Performance Audit*

Report Number:  
 63-431-02

*Bureau of Commercial Services*

*Department of Consumer and Industry  
 Services*

Released:  
 April 2003

*The Bureau of Commercial Services (BCS) is composed of three divisions. The Licensing Division provides licensing, registration, and certification for certain professions and occupations. The Enforcement Division is responsible for the investigation of and prosecution related to complaints filed against individuals or businesses licensed by BCS, as well as inspections and other special functions. The Corporations Division facilitates the formation of new business entities and maintains a record of documentation filed by these business entities.*

**Audit Objectives:**

1. To assess BCS's effectiveness and efficiency in administering its licensing functions.
2. To assess BCS's effectiveness and efficiency in administering its enforcement functions.
3. To assess BCS's effectiveness and efficiency in providing services related to the formation and development of business entities and ensuring compliance with reporting and registration requirements.

~ ~ ~ ~ ~

**Audit Conclusions:**

1. We concluded that BCS was generally effective and efficient in administering its licensing functions.
2. We concluded that BCS was generally effective and efficient in administering its enforcement functions.

3. We concluded that BCS was effective and efficient in providing services related to the formation and development of business entities and ensuring compliance with reporting and registration requirements.

~ ~ ~ ~ ~

**Noteworthy Accomplishments:**

BCS has expanded its Web site to include many useful features for individuals and businesses. Customers can verify a license; read disciplinary action reports; conduct a business search; and access public forms, publications, applications, laws and regulations, board meeting minutes, and other useful information.

~ ~ ~ ~ ~

**Reportable Conditions:**

BCS should improve its controls over licensing carnival and amusement companies and special inspectors (Finding 1).

BCS should improve its documentation of the monitoring of examination contracts (Finding 2).

BCS did not ensure that new cosmetology licensees met minimum education requirements and did not maintain documentation of compliance with the requirements on file (Finding 3).

BCS did not ensure that Real Estate Appraisers Board members who participated in complaint investigations abstained from voting on the final determination for those complaints (Finding 4).

BCS did not always begin and complete complaint investigations on a timely basis (Finding 5).

BCS did not always document that a detailed inspection of new carnival and amusement rides was completed (Finding 6).

BCS should ensure that drug test results are properly documented and that boxing

event promoters provide documentation of required insurance coverage (Finding 7).

BCS did not perform annual inspections of barber and cosmetology shops (Finding 8).

BCS needs to improve its controls to ensure that accounts receivable are properly recorded in the State's accounting system, that appropriate collection efforts are made, and that uncollectible amounts are properly written off (Finding 9).

BCS, in conjunction with the Department of Information Technology, should establish more effective database access controls (Finding 10).

~ ~ ~ ~ ~

**Agency Response:**

Our audit report contains 10 findings and 10 corresponding recommendations. BCS's preliminary response indicated that it agrees with all of our findings and that it has taken or will take steps to comply with all of the recommendations.

~ ~ ~ ~ ~

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: [www.state.mi.us/audgen/](http://www.state.mi.us/audgen/)



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

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

**James S. Neubecker, C.P.A., C.I.A., D.P.A.**  
Executive Deputy Auditor General

**Scott M. Strong, C.P.A., C.I.A.**  
Director of Audit Operations