



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

Performance Audit

Consumer Finance Activities

Office of Financial and Insurance Regulation (OFIR)

Department of Labor and Economic Growth

Report Number:
641-0144-07

Released:
June 2008

OFIR, formerly known as the Office of Financial and Insurance Services, was created in April 2000 by merging the Michigan Insurance Bureau; the Financial Institutions Bureau; and portions of the Corporations, Securities, and Land Development Bureau. OFIR's mission is to grow Michigan by creating a regulatory climate that promotes consumer protection and education and ensures that the financial services industry is safe, sound, and entitled to the public trust. OFIR regulated 8,370 nondepository consumer finance entities during fiscal year 2005-06.

Audit Objective:

To assess the effectiveness of OFIR's efforts to identify and reduce predatory lending practices.

Audit Conclusion:

OFIR's efforts to identify predatory lending practices were moderately effective; however, OFIR's efforts to reduce predatory lending practices were not effective. We noted one material condition (Finding 1).

Material Condition:

OFIR had not implemented sufficient prevention and intervention approaches to combat predatory lending (Finding 1).

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Audit Objective:

To assess the effectiveness and efficiency of OFIR's efforts in resolving consumer finance complaints.

Audit Conclusion:

OFIR was effective and efficient in its efforts to resolve consumer finance

complaints. However, we noted one reportable condition (Finding 2).

Reportable Condition:

OFIR had not initiated all business-to-business complaint investigations in a timely manner (Finding 2).

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Audit Objective:

To assess the effectiveness of OFIR's efforts to ensure that licensees and registrants are in compliance with statutory requirements.

Audit Conclusion:

OFIR was effective in its efforts to ensure that licensees and registrants are in compliance with statutory requirements. Our audit report does not include any reportable conditions related to this audit objective.

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Audit Objective:

To assess the effectiveness of OFIR's efforts in conducting consumer finance examinations and investigations.

Audit Conclusion:

OFIR's efforts to conduct consumer finance examinations and investigations were moderately effective. We noted one material condition (Finding 3) and one reportable condition (Finding 4).

Material Condition:

OFIR had not completed sufficient consumer finance examinations and investigations to provide a regulatory presence (Finding 3).

Reportable Condition:

OFIR did not prioritize the selection of consumer finance licensees and registrants for examination or investigation according to its established risk-based approach (Finding 4).

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Audit Objective:

To assess the effectiveness of OFIR's efforts in initiating enforcement actions against consumer finance entities.

Audit Conclusion:

OFIR was effective in its efforts to initiate enforcement actions against consumer finance entities. Our audit report does not include any reportable conditions related to this audit objective.

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Agency Responses:

Our audit report includes 4 findings and 4 corresponding recommendations. OFIR's preliminary response indicates that it agrees with all 4 recommendations.

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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>



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