



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Bureau of Commercial Services (BCS)

(Renamed Corporations, Securities, and Commercial Licensing Bureau)

Department of Licensing and Regulatory Affairs

Report Number:
641-0431-12

Released:
February 2013

BCS includes three primary divisions. The Licensing Division is responsible for licensing, registration, and certification for certain professions and occupations. The Enforcement Division is responsible for the regulation, investigation, and prosecution related to complaints filed against individuals or businesses licensed or regulated by BCS and for the performance of required inspections. The Corporation Division is responsible for facilitating the formation and development of business entities and maintains a record of documents filed by these business entities. BCS also includes the Regulatory Compliance Division and the Executive Office.

Audit Objective:

To assess the effectiveness of BCS's efforts to perform statutorily required inspections.

Audit Conclusion:

We concluded that BCS's efforts to perform statutorily required inspections for barber colleges, schools of cosmetology, ski lifts, and carnival-amusement rides were effective. However, BCS's efforts to perform statutorily required inspections for barbershops and cosmetology shops were not effective. We noted one material condition (Finding 1).

Material Condition:

BCS did not perform all required inspections for barbershops and cosmetology shops (Finding 1).

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Audit Objective:

To assess the effectiveness of BCS's efforts to respond to complaints filed against licensees.

Audit Conclusion:

We concluded that BCS's efforts to respond to complaints filed against licensees regarding statutory notification and reporting requirements were effective. However, BCS's efforts to process complaints filed against licensees in a timely manner were moderately effective. We noted two reportable conditions (Findings 2 and 3).

Reportable Conditions:

BCS did not process complaints filed against licensees in a timely manner (Finding 2).

BCS did not fully report its regulatory activity performance in its MiScorecard (Finding 3).

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Audit Objective:

To assess the effectiveness of BCS's efforts to ensure that selected licenses are issued in compliance with the *Michigan Compiled Laws* and the *Michigan Administrative Code*.

Audit Conclusion:

We concluded that BCS's efforts to ensure that selected licenses are issued in compliance with the *Michigan Compiled Laws* and the *Michigan Administrative Code* were effective. 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 BCS's efforts to safeguard cash receipts.

Audit Conclusion:

We concluded that BCS's efforts to safeguard cash receipts were effective. However, we noted one reportable condition (Finding 4).

Reportable Condition:

BCS did not always have sufficient internal control over its cash receipting process (Finding 4).

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Audit Objective:

To assess the effectiveness of BCS's efforts to account for fees assessed by the Corporation Division.

Audit Conclusion:

We concluded that BCS's efforts to account for fees assessed by the Corporation Division were effective. 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 BCS's efforts to monitor licensees' compliance with final orders issued as a result of complaint investigations.

Audit Conclusion:

We concluded that BCS's efforts to monitor licensees' compliance with final orders issued as a result of complaint investigations were effective. Our audit report does not include any reportable conditions related to this audit objective.

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Observation:

Our analysis of BCS records and operations resulted in an observation related to the time line and status of information technology system upgrades (Observation 1).

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Agency Response:

Our audit report contains 4 findings and 4 corresponding recommendations. BCS's preliminary response indicates that it agrees with 2 recommendations and partially agrees with 2 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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