



STATE OF MICHIGAN  
RUTH JOHNSON, SECRETARY OF STATE  
DEPARTMENT OF STATE  
LANSING

March 31, 2015

Jeffrey S. Bankowski, Director  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 South Capitol Avenue, 8<sup>th</sup> Floor  
Lansing, Michigan 48933

Dear Mr. Bankowski:

In accordance with the State of Michigan, Financial Management Guide, Part VII and Article VIII, Part 2 Section 229 of P.A. 252 of 2014, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Michigan Department of State, Motor Vehicle Title and Registration Process, covering the period October 1, 2011 through June 30, 2014.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 335-0218.

Sincerely,

Signature Redacted

Stěvř Stier, Director  
Bureau of Information Security  
Department Services Administration

Enclosures

cc: Honorable Rick Snyder, Executive Office  
Doug A. Ringler, CPA, CIA Auditor General  
John S. Roberts, State Budget Director  
Michael Senyko, MDOS Chief of Staff  
Michael Wartella, MDOS Customer Services Administration  
Rose Jarois, Director, MDOS Department Services Administration  
Representative Al Pscholka, Chair, House Appropriations  
Senator Dave Hildenbrand, Chair, Senate Appropriations  
Mary Ann Cleary, Director, House Fiscal Agency  
Ellen Jeffries, Director, Senate Fiscal Agency

**Michigan Department of State  
Performance Audit of the Motor Vehicle Title and Registration Process  
Summary of Agency Responses to Recommendations  
October 1, 2011 through June 30, 2014**

1. Audit Recommendations the agency complied with:  
Recommendation Numbers 2, 6
  
2. Audit Recommendations the agency agrees with and will comply:
  - a. Will comply:  
Recommendation Numbers 1, 3, 4,
  - b. Will partially comply:  
None
  
3. Audit Recommendations the agency disagrees with:  
Recommendation Number 5

**Michigan Department of State**  
**Performance Audit of the Motor Vehicle Title and Registration Process**  
**Final Responses**  
**March 2015**

**RECOMMENDATION #1**

We recommend that the Department always accurately prorate GVW registration fees.

**ANTICIPATED ACTION:** Will Comply

**DESCRIPTION OF ANTICIPATED ACTION:** The Department of State agrees with the audit finding in the assertion of inaccurate calculation of prorated GVW registration fees. The MDOS also validated that certain anomalies exist within our IT system resulting in inaccurate calculation of prorated GVW registration fees. As a result of the MDOS examination, we have been working with the Department of Technology, Management, and Budget (DTMB) to investigate and correct programming related to the apparent anomalies. DTMB has now identified the programming error, is developing corrections to the software, and will soon be testing. Additionally, MDOS internal staff began reviewing prorated GVW registration fee transactions more closely on fee edit reports following the determination of a potential BOS programming issue and will continue this effort until the BOS programming issue is resolved.

**Anticipated Compliance Date:** April 1, 2015

**RECOMMENDATION #2**

We recommend that the Department, in conjunction with the Department of Treasury, strengthen its procedures to verify the reasonableness of use tax collected for motor vehicle title transactions.

**ANTICIPATED ACTION:** Complied

**DESCRIPTION OF ANTICIPATED ACTION:** The Department of State partially agrees with the finding. The Department of State does agree that it should report any transactions where the sale price seems unreasonable to the Department of Treasury (the tax collecting authority for the State). As of January 13, 2015, we have resumed transmitting tax collection data to Treasury that includes any unreasonable transactions that the Department may elect to pursue. It remains our opinion that tax determination is under the purview of the Department of Treasury.

**Anticipated Compliance Date:** Not applicable

**RECOMMENDATION #3**

We again recommend that the Department establish a sufficient process to ensure the accuracy of new vehicle registration fee categories reported by dealers and manufacturers.

**ANTICIPATED ACTION:** Will Comply

**DESCRIPTION OF ANTICIPATED ACTION:** The Department of State partially agrees with this audit finding. The Department has purchased a Vehicle Identification Number (VIN) based service for providing vehicle MSRPs information. The Department is now implementing this enhanced VIN edit package that will be used to establish the registration fee categories alleviating some of the variation that currently exists for out of state title transactions and title transactions where the fee category information appears inaccurate. The Department will work on additional training for the dealer community tailored towards the title application process. However, as noted, the data supporting the VIN based system still relies on the manufacturers and the dealer community providing the underlining information.

**Anticipated Compliance Date:** October 1, 2015

**RECOMMENDATION #4**

We recommend that the Department verify the completeness of EIV Program data.

**ANTICIPATED ACTION:** Will Comply

**DESCRIPTION OF ANTICIPATED ACTION:** The Department of State agrees to continue its ongoing effort to assure that all insurance companies required to report personal coverage are sending the required policy information. The Department believes investing in reprogramming our existing program would not bring significant cost-benefit for the state. The Department is investigating other national reporting systems which could better meet the needs of MDOS and the companies writing policies in Michigan for the future. Also, additional investigative effort is now being directed at customers that do not purchase insurance from EIV reporting companies.

**Anticipated Compliance Date:** October 1, 2015

**RECOMMENDATION #5**

We recommend that the Department investigate the feasibility and cost-effectiveness of implementing a Web-based insurance verification system.

**ANTICIPATED ACTION:** Disagree With

**DESCRIPTION OF ANTICIPATED ACTION:** The Department of State strongly objects to this being a reportable condition. The current EIV system complies with current legislation and a web based real time system would require at a minimum new legislative authority. Secondly, the FAIR Task Force established on September 16, 2013 already made this recommendation as a priority "#16 b – Long-term: Move to an online verification system based upon industry and state agency technological capability." This long term solution has FAIR Task Force members support, members include: Michigan Department of State, Michigan State Police, Michigan Department of Insurance and Financial Services, Prosecuting Attorneys Association of Michigan, Insurance Institute of Michigan, Michigan Insurance Coalition, Property Casualty Insurers Association of America, and Michigan Association of Insurance Agents.

**Anticipated Compliance Date:** Not applicable

**RECOMMENDATION #6**

We recommend that the Department sufficiently and timely monitor transactions and inquiries recorded by MiEFS Program participants.

**ANTICIPATED ACTION:** Complied

**DESCRIPTION OF ANTICIPATED ACTION:** The Department of State agrees with the audit finding. New procedures have been implemented (since November 2014) to ensure that all applicable timeframes are included in its reviews to ensure customer fees and data access are appropriately covered.

**Anticipated Compliance Date:** Not applicable