



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

February 19, 2016

Jeffrey S. Bankowski, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol Avenue, 8th 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. 84 of 2015, 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, Licensing and Regulating of Automotive-Related Businesses and Mechanics, covering the period October 1, 2012 through June 30, 2015.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 335-4207.

Sincerely,

Signature Redacted

Steve 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
Bill Kordenbrock, MDOS Legal 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 Licensing and Regulating of Automotive-Related
Businesses and Mechanics**

Summary of Agency Responses to Recommendations

February 2016

1. Audit Recommendations the agency complied with:
None

2. Audit Recommendations the agency agrees with and will comply:
 - a. Will comply:
Recommendation Numbers 1, 2, 3
 - b. Will partially comply:
None

3. Audit Recommendations the agency disagrees with:
Disagree that recommendation 1b is an audit finding as this is outside the scope of the Department's legal authority of the Act.

**Michigan Department of State
Performance Audit of Licensing and Regulating of Automotive Businesses and
Mechanics
Final Responses**

February 2016

RECOMMENDATION #1a and #1b

We recommend that the Department improve its automotive-related business licensing process to ensure that it licenses only qualified businesses and it assesses all required fees.

We also recommend that the Department seek amendatory legislation granting the Department express authority to obtain records to verify gross revenue reported by repair facility licensees.

ANTICIPATED ACTION: Will Comply

DESCRIPTION OF ANTICIPATED ACTION: Related to the first recommendation, the Department agrees and the Business Licensing Section will ensure all information required on new applications is reviewed before approval. Applications lacking mechanic information will include follow-up to ensure a properly certified mechanic has been hired. Also, renewal applications will be re-evaluated to consider the inclusion of a checkbox indicating a change in the repair facility agreement, and if necessary the new registration number of the repair facility associated with the dealer.

Related to the second recommendation, the Department disagrees that this is an audit finding as this is outside the scope of the Department's legal authority of the Act. However, the feasibility of amendatory legislation will be explored with potential sponsors.

Anticipated Compliance Date: October 1, 2016 (for #1a) and December 31, 2016 (for #1b).

RECOMMENDATION #2

We recommend that the Department develop management oversight and documentation requirements for closing its regulatory cases.

ANTICIPATED ACTION: Will Comply

DESCRIPTION OF ANTICIPATED ACTION: The Department agrees with the recommendation and will continue its efforts at improving management oversight of regulatory cases and documentation requirements for case files. For the past 11 months the BCRD director, BRS manager, the RMD director, and the RMD managers have been receiving a monthly report that identifies any violations that are added or removed by a BRS analyst. The BCRD director and BRS manager are both receiving and reviewing a weekly electronic closed case report which provides information on which cases have been closed, violations written for each case, date assignment history, responsible person history, case priority as well as the final case disposition. One of the BRS manager's EDP objectives for fiscal year 2016 is to consolidate and further develop documentation requirements for regulatory case files. The BRS

manager will update the current 62 page License 2000 Complaint Module Quick Help Guide to further refine the documentation requirements for the BRS analysts.

Anticipated Compliance Date: October 1, 2016

RECOMMENDATION #3

We recommend that the Department continue improving its processes and monitoring of open regulatory cases to ensure that it closes regulatory cases timely.

ANTICIPATED ACTION: Will Comply

DESCRIPTION OF ANTICIPATED ACTION: The Department agrees with the recommendation and will continue efforts improving its case review processes as well as the monitoring of open cases to ensure that it closes cases in a timelier manner. The Department is refining its metrics for the BRS Case Process Report to provide earlier detection indicators so that case closing strategies can be employed quicker in the case management process. The Department is also establishing case review meetings, that will be held with BRS case analysts and BCRD management, to facilitate case closing strategies to ensure cases are closed in a timelier manner.

Anticipated Compliance Date: October 1, 2016