

## EXECUTIVE DIGEST

### AUTOMOBILE THEFT PREVENTION AUTHORITY

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#### **INTRODUCTION**

This report contains the results of our performance audit of the Automobile Theft Prevention Authority, Michigan Department of State Police, for the period October 1, 1993 through December 31, 1994.

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#### **AUDIT PURPOSE**

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.

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#### **BACKGROUND**

The Automobile Theft Prevention Authority was established by Act 10, P.A. 1986 (Sections 500.6101 - 500.6111 of the *Michigan Compiled Laws*). The Authority was specifically created to reduce automobile theft in Michigan. A seven-member Board of Directors, appointed by the Governor with the advice and consent of the Senate, directs the Authority's operations. The director of the Michigan Department of State Police serves as the Board chairman. The Board officially began operations on October 1, 1986.

The Authority awards funds to law enforcement agencies, local prosecutors, and nonprofit community organizations for programs designed to reduce automobile theft. The funding for these grants comes from assessments paid by automobile insurance policyholders. Annually, each insurance company authorized to write automobile insurance in the State of Michigan must remit to the Authority an assessment equal to \$1 multiplied by the insurer's total earned car years of insurance. For the fiscal year ended September 30, 1994, the Authority received approximately \$5.5 million in assessments from insurance companies. Since the Authority began its operations in 1986, total revenues have exceeded \$53 million (this includes the annual assessments collected from insurance companies and interest earned on unexpended funds). Total expenditures for automobile theft prevention programs for this same period totaled approximately \$47.2 million.

Motor vehicle thefts in Michigan decreased from 72,021 in 1986 to 56,670 in 1993, an overall decrease of 21%. Nationally, during the same period, motor vehicle thefts increased by 28%. We also compared the decrease in vehicle thefts in Michigan with similar data from surrounding states. During the same time period, Illinois (the only surrounding state with an automobile theft prevention program similar to Michigan's) was the only state to record a reduction (a decrease of 6.5%) in motor vehicle thefts. Wisconsin, Indiana, and Ohio showed increases in motor vehicle thefts of 51%, 24%, and 11%, respectively. The State Insurance Commissioner reported that the State's largest insurers had reduced comprehensive insurance

premium rates because of the reduction in motor vehicle thefts.

As of December 31, 1994, the Authority's staff consisted of five employees. Total program expenditures for the fiscal year ended September 30, 1994 were approximately \$6.2 million.

Act 10, P.A. 1986, contained a sunset provision that would have dissolved the Authority on July 1, 1991. However, Act 174, P.A. 1992, which became effective on July 23, 1992, retroactively repealed the sunset provision in Act 10, P.A. 1986, and made the Authority a permanent part of the Michigan Department of State Police.

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**AUDIT OBJECTIVES,  
CONCLUSIONS, AND  
NOTEWORTHY  
ACCOMPLISHMENTS**

**Audit Objective:** To assess the effectiveness of programs funded by the Authority in reducing automobile thefts and automobile comprehensive insurance premiums.

**Conclusion:** Based on our analysis of available data (see background section), it appeared that the programs funded by the Authority were effective in reducing automobile thefts and automobile comprehensive insurance premiums. However, because of the number of different factors and variables that influence automobile thefts, we could not determine the effect that the specific programs funded by the Authority, or the other antitheft provisions, had in the reduction of automobile thefts. The Authority has been working on methods to evaluate and measure the impact that its programs have had in reducing vehicle thefts and should continue to do so.

We noted two areas in which the Authority could enhance its effectiveness in reducing automobile theft. The Authority should complete a comprehensive assessment of the motor vehicle theft problem in Michigan and fully develop a long-range plan for combating motor vehicle theft (Finding 1). Also, the Authority should conduct further analyses to establish and document the most effective methods to prevent automobile theft (Finding 2).

**Noteworthy Accomplishments:** The Authority reported that, during 1993, programs funded by the Authority recovered 2,320 vehicles with an estimated value of \$17 million, 1,971 individuals were arrested, and prosecutors issued 1,665 arrest warrants. The Authority provided materials and instruction to agencies throughout Michigan for etching vehicle identification numbers on car windshields. The Authority reported that over 5,000 cars are etched annually. In addition, during 1994, the Authority adopted formal standards for automobile theft prevention and recovery devices. These standards were developed for use by insurance companies in establishing discounts for the use of such equipment by policyholders. Several other states, including Illinois, have implemented automobile theft prevention programs using Michigan's program as a model.

**Audit Objective:** To assess the effectiveness and efficiency of the Authority's administrative functions.

**Conclusion:** Overall, the Authority's administrative functions were generally effective and efficient.

However, we noted two areas in which the Authority could improve the effectiveness and efficiency of its administrative functions. The Authority should comply with its policy requiring grant recipients to provide local funds to match funds provided by the Authority (Finding 3). Also, the Authority needs to establish a reasonable basis for paying for administrative services provided by the Department (Finding 4).

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**AUDIT SCOPE  
AND  
METHODOLOGY**

Our audit scope was to examine the program and other records of the Automobile Theft Prevention Authority for the period October 1, 1993 through December 31, 1994. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our audit objectives, we conducted a preliminary survey of the Authority's operations. This included discussions with Authority staff regarding their functions and responsibilities and reviews of program records and annual reports. Our methodology included analyses of program activity data, comparisons of Michigan vehicle theft and related data with national data, and analyses of trends of automobile thefts and related arrests. We reviewed the Authority's controls and procedures for awarding grant funds, for verifying grant fund expenditures, and for assessing the results and outcomes of the programs that it funded.

**AGENCY  
RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report includes 4 findings and 7 corresponding recommendations. The preliminary response prepared by the Department indicated that it generally agreed with our findings and that it has implemented or will implement most of our recommendations.

The Authority had complied with the 10 prior audit recommendations included within the scope of our current audit.