

EXECUTIVE DIGEST

REGULATORY SERVICES ADMINISTRATION

INTRODUCTION

This report, issued in February 1998, contains the results of our performance audit* of the Regulatory Services Administration (RSA), Department of State.

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*.

BACKGROUND

RSA consists of the Bureau of Hearings, the Office of Internal Audit and Enforcement, and the Bureau of Automotive Regulation.

RSA's mission* includes providing legal research and counsel, providing due process services, coordinating interfaces with the Department of Attorney General, providing audit and enforcement oversight, and effectively pursuing customer service.

The Bureau of Hearings provides legal research and counsel to the Secretary of State, provides due process services that are required of the Department, and

coordinates interfaces with the Department of Attorney General in litigation and other court action involving the Department.

The Office of Internal Audit and Enforcement, consisting of the Internal Audit Division and the Enforcement Division, provides the audit and enforcement oversight of required Department functions.

The Bureau of Automotive Regulation licenses and regulates automotive mechanics, motor vehicle repair facilities, automotive dealers, and salvage vehicle agents.

RSA had 161 employees as of the pay period ended June 28, 1997. RSA had recorded expenditures of \$6.5 million for the fiscal year ended September 30, 1996.

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

Audit Objective: To assess the effectiveness and efficiency of the operations of RSA's Internal Audit Division.

Conclusion: RSA's Internal Audit Division was generally effective and efficient; however, we noted reportable conditions* related to a comprehensive audit plan (Finding 1) and cash overage and shortage audits (Finding 2).

Noteworthy Accomplishments: The State of Michigan is a member of the International Registration Plan. This Plan requires each member state to audit 15% of its registrants within a five-year period. The Internal Audit Division has aggressively moved toward complying with the Plan requirement. The Division issued audits for 226 (3.83%)

and 415 (6.92%) of its registrants during calendar years 1996 and 1997, respectively, for a total of 641 audits or 10.75% of its registrants in a two-year period.

Audit Objective: To assess the effectiveness and efficiency of the operations of RSA's Enforcement Division.

Conclusion: RSA's Enforcement Division was generally effective and efficient; however, we noted a reportable condition related to the timeliness of case investigations (Finding 3).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Regulatory Services Administration. 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.

Our audit scope did not include an examination of the program and other records of the Bureau of Automotive Regulation, a bureau within RSA. This Bureau was audited separately, and the related audit report was issued April 24, 1996.

Our audit included an examination of RSA's records and activities covering the period October 1, 1995 through June 30, 1997.

To accomplish our objectives, we examined RSA's policies and procedures and assessed its internal control

structure* . We reviewed the Internal Audit Division's

annual audit plans, analyzed selected internal audit reports and supporting documentation, and tested the Division's compliance with the International Registration Plan's* audit requirements. We also reviewed the Enforcement Division's procedures for assigning cases, analyzed the number of cases assigned to each investigator, and aged the Division's open cases. In addition, we sampled the Division's closed cases and reviewed the documentation for propriety, completeness, and timeliness.

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

Our audit report contains 3 findings and 3 corresponding recommendations. The agency's preliminary response indicated that RSA agreed with all 3 recommendations. RSA has initiated steps to implement 1 of the recommendations and plans to initiate steps to implement the other 2 recommendations.

The Department complied with 3 of 5 prior audit recommendations included within the scope of our current audit. We repeated 1 of the other 2 audit recommendations in this report.