

EXECUTIVE DIGEST

MICHIGAN PUBLIC SERVICE COMMISSION

INTRODUCTION

This report, issued in July 2000, contains the results of our performance audit* of the Michigan Public Service Commission (MPSC), Department of Consumer and Industry Services.

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

MPSC is composed of three commissioners appointed by the Governor, with the advice and consent of the Senate, for staggered six-year terms.

For fiscal year 1997-98, MPSC expended approximately \$14.5 million to regulate Michigan's electric, gas, and communications utilities; oil and gas pipelines; and intrastate motor carriers*. As of August 31, 1999, MPSC had 145 full-time equated employees.

AUDIT OBJECTIVES AND CONCLUSIONS

Audit Objective: To assess the soundness of MPSC's performance measures* to evaluate MPSC's goals* and objectives*.

Conclusion: We concluded that MPSC's performance measures were generally sound and MPSC's goals and objectives were generally effective. However, we noted a reportable condition* related to the continuous quality improvement process (Finding 1).

Audit Objective: To assess the complaint process to ensure that customers of regulated utility* and motor carrier companies received effective and timely responses to their complaints related to communications, power outages* , and motor carrier issues.

Conclusion: We concluded that the complaint process to ensure that customers of regulated utility and motor carrier companies received effective and timely responses to their complaints related to communications, power outages, and motor carrier activity was generally effective. However, we noted a reportable condition related to the handling of complaints (Finding 2).

Audit Objective: To determine the accuracy of the utility assessments.

Conclusion: We concluded that the utility assessments were materially correct. However, we noted a reportable condition related to costs of regulating public utilities (Finding 3).

Audit Objective: To assess the effectiveness of the Licensing and Enforcement Division's efforts to ensure that regulated motor carrier operators operate in a safe manner.

Conclusion: We concluded that the Licensing and Enforcement Division's efforts to ensure that regulated

motor carrier operators operate in a safe manner were generally effective. However, we noted reportable conditions related to authority registration, periodic safety status reviews, and year-end accounts receivable (Findings 4 through 6).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Michigan Public Service Commission. 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 methodology included examining MPSC's records for the period October 1, 1996 through August 31, 1999. Our methodology also included a preliminary survey, which consisted of interviewing various personnel and reviewing reports and procedures to gain an understanding of, and to form a basis for selecting, MPSC operations to audit. We reviewed the goals and objectives of MPSC as they related to its mission*. In addition, we conducted a survey of other states relating to the complaint process in addition to conducting tests of complaints, motor carrier safety, and utility assessments.

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

MPSC complied with 3 of the 9 prior audit recommendations included within the scope of our current audit. One prior audit recommendation is repeated in this audit report, and 5 were rewritten for inclusion in this report.

MPSC's preliminary response indicated that it has taken steps to comply with all of the recommendations.