PERFORMANCE AUDIT
OF THE

INTERNATIONAL REGISTRATION PLAN

DEPARTMENT OF STATE

May 1999

23-251-98

EXECUTIVE DIGEST

INTERNATIONAL REGISTRATION PLAN

INTRODUCTION	This report, issued in May 1999, contains the results of our performance audit* of the International Registration Plan* (IRP), 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	Michigan joined the IRP in March 1985. The IRP is an agreement between the 48 contiguous states and 3 Canadian provinces (jurisdictions*) authorizing proportional registration of trucks and trailers (vehicles*) used for interstate commerce and providing for recognition of such registrations in the participating jurisdictions. The IRP allows vehicle owners (registrants*) to register their vehicles only once rather than in each jurisdiction and ensures that jurisdictions receive their proportional share of the registrants' registration fees for the use of their highways. The IRP is administered through three organizational units of the Department: the IRP Unit, Service Delivery

* *See glossary on page 32 for definition.*

Administration; the Internal Audit Division, Regulatory Services Administration; and the Finance Division, Department Services Administration.

The IRP Unit's primary responsibility is to process registrations for Michigan-based registrants. During 1997, the IRP Unit registered approximately 38,000 vehicles owned by approximately 6,400 registrants. In addition to processing registrations, the IRP Unit is responsible for suspending registrations of vehicles of registrants who have violated registration provisions.

The Internal Audit Division is responsible for conducting audits of registrants. The IRP requires audits of the mileage records of 15% of the registrants every five years. The Finance Division is responsible for the accounting for the collection and distribution of the registration fees. The Finance Division is also responsible for the collection of audit assessments and not sufficient funds (NSF) checks.

The IRP Unit had 13 employees as of September 30, 1998 and reported collecting a total of $65,810,970 for the fiscal year then ended. Of this amount, $18,184,659 was collected for other jurisdictions and remitted to them. The State reported receiving $28,131,280 from other jurisdictions for Michigan's share of IRP fees that they had collected.

AUDIT OBJECTIVES, CONCLUSIONS, AND NOTEWORTHY ACCOMPLISHMENTS

Audit Objective: To determine that the Department of State is in compliance with the IRP.

Conclusion: The Department of State was generally in compliance with the IRP; however, we noted a reportable

condition* related to its Internal Audit Division's audit selection process for IRP registrant audits (Finding 1).

Noteworthy Accomplishments: The IRP requires each member jurisdiction to audit 15% of its registrants' accounts within a five-year period. The Internal Audit Division has aggressively moved toward complying with the IRP requirement. The Division issued audits for 226 (3.7%) and 415 (6.5%) of its registrants during calendar years 1996 and 1997, respectively, for a total of 641 audits or approximately 10% of its registrants in a two-year period.

Audit Objective: To assess the effectiveness and efficiency of IRP operations.

Conclusion: IRP operations were generally effective and efficient; however, we noted reportable conditions related to the NSF check notification procedures and the collection of assessments from audits (Findings 2 and 3).

Noteworthy Accomplishments: The IRP Unit periodically surveys registrants to determine their level of satisfaction with the services that the IRP Unit provides. Our review of the results of these surveys disclosed a high level of satisfaction with these services. During our audit, we surveyed registrants and noted that registrants indicated a high level of satisfaction with the IRP Unit's services. In addition, we observed the IRP Unit during a quarterly renewal period and noted that registration renewals were processed on a timely basis and that walk-in registrants experienced minimal waits for their vehicle registration materials.

** See glossary on page 32 for definition.*

Audit Objective: To assess the effectiveness and efficiency of the Internal Audit Division's IRP registrant audits.

Conclusion: The Internal Audit Division's IRP registrant audits were generally effective and efficient; however, we noted a reportable condition related to full-fee audit assessments (Finding 4).

AUDIT SCOPE AND METHODOLOGY

Our audit scope was to examine the program and other records of the International Registration Plan. 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 included examination of the IRP Unit's records and activities for the period October 1, 1995 through August 31, 1998.

Our methodology included a preliminary survey of IRP operations. This included interviewing both IRP Unit and Internal Audit Division staff and reviewing procedure manuals to gain an understanding of the operations.

To accomplish our objectives, we reviewed the IRP Unit's processing of new and renewal registrations. We also reviewed suspension procedures to determine whether vehicle registrations of registrants who failed to meet registration requirements were suspended.

We examined the Internal Audit Division's working papers for IRP audits to determine whether they met scope requirements contained in the IRP audit manual and whether conclusions were supported. Our examination of

IRP audits also included reviewing the methodology used for selecting registrants for audit and determining whether registrants were billed for additional assessments based on audit findings.

We surveyed registrants to obtain information on their use of IRP Unit services and their satisfaction with them. We also surveyed other states to obtain IRP registration and audit information. A description of the surveys and summaries of the survey responses are presented as supplemental information.

AGENCY RESPONSES

Our audit report contains 4 findings and 6 recommendations. The agency preliminary response indicates that the Department agrees with all 6 recommendations. The Department responded that it will take or has taken the necessary action to implement the recommendations.

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The Honorable Candice S. Miller
Secretary of State
Treasury Building
Lansing, Michigan

Dear Secretary Miller:

This is our report on the performance audit of the International Registration Plan, Department of State.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; description of surveys and summaries of survey responses, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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DEPARTMENT OF STATE

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Description of Agency

The Department of State's executive officer, the Secretary of State, is an elected official who serves a four-year term. The Department's responsibilities include administering and enforcing the parts of the Motor Vehicle Code (Sections 257.1 - 257.923 of the *Michigan Compiled Laws*) pertaining to the registration of vehicles and the licensure of vehicles and operators. The Department's mission related to its vehicle registration and vehicle and operator licensure processes is to provide accurate records and timely services. The Secretary of State has assigned the administrative responsibilities of the International Registration Plan (IRP) to the IRP Unit, Bureau of Driver and Vehicle Records, Service Delivery Administration.

The IRP is an agreement between the 48 contiguous states and 3 Canadian provinces (jurisdictions) authorizing proportional registration of trucks and trailers (vehicles) used for interstate commerce and providing for the recognition of such registrations in the participating jurisdictions. Under proportional registration, vehicle owners (registrants) register their vehicles in the state in which they are based and pay proportional registration fees to the jurisdictions in which they anticipate traveling. Registration fees are calculated for each jurisdiction based on the weight of the vehicle and the number of miles traveled in the respective jurisdictions during the prior year or estimated to be traveled if no historical mileage is available. The IRP allows registrants to register their vehicles only once rather than in each jurisdiction and ensures that jurisdictions receive their proportional share of registrants' registration fees for the use of their highways. Michigan has been a member of the IRP since March 1, 1985.

The IRP is administered through three organizational units of the Department: the IRP Unit, Service Delivery Administration; the Internal Audit Division, Regulatory Services Administration; and the Finance Division, Department Services Administration.

The IRP Unit's primary responsibility is to process registrations for Michigan-based registrants. During 1997, the IRP Unit registered approximately 38,000 vehicles owned by approximately 6,400 registrants. In addition to processing registrations, the IRP Unit is responsible for suspending registrations of vehicles of registrants who have either paid with not sufficient fund (NSF) checks or who have elected to use the partial payment plan and have failed to pay the balance due on their accounts. As a service to

registrants, the IRP Unit also distributes registration decals for the International Fuel Tax Agreement (IFTA), which is administered by the Department of Treasury. The IFTA operates similar to the IRP by allowing registrants to pay their fuel tax liability in their base state using the miles traveled in the various states as the basis for their tax.

The Internal Audit Division is responsible for conducting audits of registrants. The IRP requires audits of the mileage records of 15% of the registrants every five years. Registrants who have overpaid registration fees are issued a refund. Registrants who fail to maintain or supply required vehicle records for audit or who have incorrectly reported mileage on their registration documents may be assessed additional registration fees.

The Finance Division is responsible for the accounting for the collection and distribution of the registration fees. The Finance Division is also responsible for the collection of audit assessments and NSF checks.

The IRP Unit had 13 employees as of September 30, 1998 and reported collecting a total of $65,810,970 for the fiscal year then ended. Of this amount, $18,184,659 was collected for other jurisdictions and remitted to them. The State reported receiving $28,131,280 from other jurisdictions for Michigan's share of IRP fees that they had collected.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of the International Registration Plan (IRP), Department of State, had the following objectives:

1. To determine that the Department of State is in compliance with the IRP.

2. To assess the effectiveness and efficiency of IRP operations.

3. To assess the effectiveness and efficiency of the Internal Audit Division's IRP registrant audits.

Audit Scope

Our audit scope was to examine the program and other records of the International Registration Plan. 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.

Audit Methodology

Our audit procedures were conducted between May and September 1998 and included examination of the IRP Unit's records and activities for the period October 1, 1995 through August 31, 1998.

Our methodology included a preliminary survey of IRP operations. This included interviewing both IRP Unit and Internal Audit Division staff and reviewing procedure manuals to gain an understanding of the operations.

To accomplish our first objective, we reviewed the IRP Unit's processing of new and renewal registrations to determine whether carriers supplied required registration materials. We also reviewed suspension procedures to determine whether vehicle registrations of registrants who failed to meet registration requirements were suspended. In addition, we examined the Internal Audit Division's working papers for

IRP audits to determine whether they met scope requirements contained in the IRP audit manual and whether conclusions were supported. Our examination of IRP audits also included reviewing the methodology used for selecting registrants for audit and determining whether registrants were billed for additional assessments based on audit findings.

To accomplish our second objective, we reviewed the registration renewal process to determine whether renewals were processed in accordance with the timetable contained in the IRP annual information booklet. We evaluated suspension processing for registrants using the partial payment plan who failed to make required payments on their accounts. In addition, we analyzed the monitoring of IRP registration fees remitted to the Department from other jurisdictions. We also reviewed the interaction of the IRP Unit with the Motor Carrier Division, Michigan Department of State Police.

To accomplish our third objective, we examined the Internal Audit Division's IRP registrant audits to determine the disposition of audit findings.

We surveyed registrants to obtain information on their use of IRP Unit services and their satisfaction with them. We also surveyed other states to obtain IRP registration and audit information. A description of the surveys and summaries of the survey responses are presented as supplemental information.

Agency Responses

Our audit report contains 4 findings and 6 recommendations. The agency preliminary response indicates that the Department agrees with all 6 recommendations. The Department responded that it will take or has taken the necessary action to implement the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of State to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

COMPLIANCE WITH THE IRP

COMMENT

Background: As a member of the International Registration Plan (IRP), the State of Michigan must comply with provisions contained within the IRP. These provisions include registration requirements for trucks and trailers (vehicles) used for interstate commerce as well as audit requirements for the records of the owners of these vehicles (registrants). The Internal Audit Division, Department of State, is responsible for conducting the audits of Michigan registrants' records to verify the accuracy of reported mileage information. Registrant mileage information is used to determine the portion of vehicle registration fees paid to the State of Michigan, other states, and Canadian provinces (jurisdictions) in which the registrant travels. Based on the results of these audits, registrants may be assessed additional registration fees or given refunds of the fees already paid.

Audit Objective: To determine that the Department of State is in compliance with the IRP.

Conclusion: The Department of State was generally in compliance with the IRP; however, we noted a reportable condition related to its Internal Audit Division's audit selection process for IRP registrant audits.

Noteworthy Accomplishments: The IRP requires each member jurisdiction to audit 15% of its registrants' accounts within a five-year period. The Internal Audit Division has aggressively moved toward complying with the IRP requirement. The Division issued audits for 226 (3.7%) and 415 (6.5%) of its registrants during calendar years 1996 and 1997, respectively, for a total of 641 audits or approximately 10% of its registrants in a two-year period.

FINDING

1. Audit Selection Process

The Department's Internal Audit Division did not select registrants for audit in accordance with IRP Audit Guidelines.

IRP Uniform Operation Audit Procedure Guidelines state that all registrants should be subject to audit under a jurisdiction's audit program unless special circumstances dictate otherwise. The guidelines further state that all registrants must be given equal consideration and that there must be no preferential treatment given. According to the guidelines, this is to protect the integrity of the vehicle registration laws and ensure equitable treatment of all IRP registrants.

We reviewed the Division's audit selection process for the period January 1996 through August 1998 and determined that, although the Division used a random selection process to select registrants for audit, it excluded registrants with fleets* of 10 or more vehicles. As a result, the Division's audit selection process did not give equal consideration to all registrants, but instead gave preferential treatment to registrants with fleets of 10 or more vehicles. We obtained Michigan's IRP fleet registration information for 1997 and determined that registrants with fleets of 10 or more vehicles represented 7.7% (490) of the total 6,400 registrants and 69.8% (26,531) of the total population of approximately 38,000 vehicles registered.

The Division informed us that it believes that a combination of random selection and selection of registrants with apparent irregularities in their mileage reporting better meets the intent of the plan. This allows coverage of areas deemed to be the highest risk.

Excluding registrants with fleets of 10 or more vehicles, in addition to not complying with the IRP audit requirement, results in inequitable treatment of registrants.

RECOMMENDATION

We recommend that the Internal Audit Division select registrants for audit in accordance with IRP Audit Guidelines.

** See glossary on page 32 for definition*

AGENCY PRELIMINARY RESPONSE

The Department agrees. However, because the IRP Audit Guidelines are unofficial and somewhat vague about the selection process and do not specifically require a true random selection, the Department intends to continue with a combination of random selection and selection based on registrants with apparent irregularities to better meet the intent of the plan. This allows coverage of areas deemed to be the highest risk. The Internal Audit Division has begun assigning audits of larger registrants to its permanent audit staff.

EFFECTIVENESS AND EFFICIENCY OF THE IRP

COMMENT

Audit Objective: To assess the effectiveness and efficiency of IRP operations.

Conclusion: IRP operations were generally effective and efficient; however, we noted reportable conditions related to the not sufficient funds (NSF) check notification procedures and the collection of assessments from audits.

Noteworthy Accomplishments: The IRP Unit periodically surveys registrants to determine their level of satisfaction with the services that the IRP Unit provides. Our review of the results of these surveys disclosed a high level of satisfaction with these services. During our audit, we surveyed registrants and noted that registrants indicated a high level of satisfaction with the IRP Unit's services. In addition, we observed the IRP Unit during a quarterly renewal period and noted that registration renewals were processed on a timely basis and that walk-in registrants experienced minimal waits for their vehicle registration materials.

FINDING

2. NSF Check Notification Procedures

The Department's Finance Division did not promptly notify the IRP Unit when the Division received NSF checks for IRP registrations.

The Finance Division periodically receives NSF checks for IRP registrations. The Division's procedures require it to attempt to collect on these checks; however, if

unsuccessful, the respective registrations are suspended and the check is turned over to the Department's Enforcement Division for further collection efforts. During calendar year 1997, the Finance Division received 121 NSF checks totaling $275,285 for IRP registrations. As of August 1998, 20 of these checks totaling $46,765 remained uncollected.

Our review of the Finance Division's NSF check procedures disclosed that the IRP Unit is not notified of the receipt of NSF checks until the Enforcement Division has completed its collection activities. As a result, the IRP Unit may not be notified of the receipt of an NSF check for several months and may receive subsequent checks from the same registrant. During our audit, we noted that the IRP Unit had received three NSF checks over a six-month period from one registrant before it was notified of the first NSF check. If the Finance Division had provided the IRP Unit with more timely notification of the receipt of the NSF checks, the IRP Unit would have been able to note on the respective registrant's account that it was a "Cash Only" account and that noncertified checks would not be accepted.

RECOMMENDATION

We recommend that the Finance Division promptly notify the IRP Unit when the Division receives NSF checks for IRP registrations.

AGENCY PRELIMINARY RESPONSE

The Department agrees with the recommendation and informed us that the Finance Division has implemented a system whereby it promptly notifies the IRP Unit of NSF checks.

FINDING

3. Collection of Assessments From Audits

The Internal Audit and Finance Divisions had not developed a tracking system to monitor the status of outstanding registrant audit assessments. In addition, the Finance Division did not notify the IRP Unit of registrants with outstanding audit assessments.

Upon completion of a registrant's audit, the Internal Audit Division notifies the Finance Division of all audit assessments over $10 due the State. The Finance Division is responsible for billing the registrants and monitoring the outstanding assessments. Audit assessments over $100 that are outstanding for 70 days or more are to be turned over to Department of Treasury for collection.

We reviewed 30 registrant audits with audit assessments greater than $10 and determined that 5 (16.7%) of these assessments had not been paid as of July 1998. Of these 5 unpaid assessments, the Internal Audit Division had not sent 1 assessment for $375 to the Finance Division for billing. Of the remaining 4 assessments, the Finance Division had billed the registrants, but no payment had been received. These assessments had been outstanding from 165 to 545 days, and ranged in amounts from $105 to $135. We reviewed the registration status of these accounts with the IRP Unit and determined that all registrants were allowed to renew their vehicle registrations the following renewal period.

Development of a tracking system would help ensure that all audit assessments are appropriately processed in a timely manner. In addition, notifying the IRP Unit of outstanding audit assessments would provide the Department with an additional method of collecting outstanding audit assessments during the renewal of a registrant's vehicle registrations.

RECOMMENDATIONS

We recommend that the Internal Audit and Finance Divisions develop a tracking system to monitor the status of outstanding registrant audit assessments.

We also recommend that the Finance Division notify the IRP Unit of registrants with outstanding audit assessments.

AGENCY PRELIMINARY RESPONSE

The Department agrees with both recommendations. The Internal Audit and Finance Divisions have developed a tracking system to monitor the status of outstanding registrant audit assessments. The Internal Audit Division will send a cover letter with a list of audits to be billed or refunded. The Finance Division now notifies the IRP Unit of registrants with outstanding audit assessments as part of the tracking system.

EFFECTIVENESS AND EFFICIENCY OF THE INTERNAL AUDIT DIVISION'S IRP REGISTRANT AUDITS

COMMENT

Audit Objective: To assess the effectiveness and efficiency of the Internal Audit Division's IRP registrant audits.

Conclusion: The Internal Audit Division's IRP registrant audits were generally effective and efficient; however, we noted a reportable condition related to full-fee audit assessments.

FINDING

4. Full-Fee Audit Assessments

The Internal Audit Division did not use full-fee assessments to encourage registrants to maintain required vehicle mileage records. In addition, the Division did not perform follow-up audits to determine that registrants were maintaining required vehicle mileage records.

IRP registrants are required to maintain detailed vehicle mileage records documenting the number of miles traveled in each jurisdiction. These records are used to allocate vehicle registration fees to the respective states based on the number of miles traveled in them. The IRP Uniform Operation Audit Procedure Guidelines and the IRP, Inc., Information Manual provide that, if a registrant fails to maintain required mileage records, the registrant may be subject to a full-fee assessment from the base jurisdiction. Section 646 of the Internal Audit Division Audit Manual provides that, if a registrant's records do not allow for an audit to be performed, a return visit will be scheduled to see if the registrant's recordkeeping system conforms to the requirements of the IRP.

We reviewed 60 audit files from calendar years 1996 and 1997 and determined that for 16 (26.7%) files either the registrant had incomplete records or the registrant had no records to send. Our review of the 16 files disclosed that none of the registrants were assessed additional registration fees and that follow-up audits were not conducted to determine compliance with the IRP recordkeeping

requirement. Based on the results of this review, we selected 25 additional audit files for which the registrants' records were determined to be incomplete or nonexistent to determine if full-fee assessments were made and if follow-up audits were conducted. Again, we determined that no additional registration fees were assessed and that follow-up audits were not conducted.

Given the rate of noncompliance, the Division should use any available means to encourage compliance. The Division's failure to use the full-fee assessment penalty to encourage registrants to maintain vehicle mileage records in accordance with the IRP requirement reduces the effectiveness of the IRP audits and may eventually lead to an increase in the rate of noncompliance.

RECOMMENDATIONS

We recommend that the Internal Audit Division use full-fee assessments to encourage registrants to maintain required vehicle mileage records.

We also recommend that the Division perform follow-up audits to determine that registrants are maintaining required vehicle mileage records.

AGENCY PRELIMINARY RESPONSE

The Department agrees with both recommendations. The Department agrees with using full-fee assessments where appropriate. The IRP Uniform Operation Audit Procedure Guidelines allow for full-fee assessments but do not require them. Follow-up audits will be completed after the registration year ends for those whose records were not adequate. The Internal Audit Division will ask the Finance Division to assess 100% base fees for registrants who refuse to cooperate with the audit or when a follow-up contact determines that the records continue to be inadequate.

SUPPLEMENTAL INFORMATION

Description of Surveys

We developed two surveys for our audit. One survey was sent to a sample of 165 IRP registrants who had registered their vehicles during the 1997 registration year. The second survey was sent to each of the 48 contiguous states. The survey sent to registrants focused on registration services and recordkeeping requirements. The survey sent to the states was directed toward renewal processes, size of programs, and audits of registrants.

We received 94 (57.0%) responses to the 165 registrant surveys sent. Registrants generally had positive comments regarding the registration services that the IRP Unit provided. Of the 48 states surveyed, 22 (45.8%) responded.

Following is a summary of the results of each survey, including the number and percentage of responses received for each item. The total number of responses for each item may not agree with total number of responses reported. This is because respondents were instructed to answer the questions that were applicable and some questions allowed for more than one response.

INTERNATIONAL REGISTRATION PLAN
Department of State
Summary of Registrant Survey Responses

Number of surveys mailed	165
Number of responses	94
Response rate	57.0%

1. How do you normally renew your IRP registration?

In person	By mail	By fax
18	71	11
18.0%	71.0%	11.0%

2. Do you feel that the instructions supplied with the IRP renewal are clear and easy to follow?

Yes	No
85	8
91.4%	8.6%

3. Do you find it necessary to contact the IRP Unit to obtain assistance with completing your renewal?

Yes	No
28	66
29.8%	70.2%

4. What method did you use to contact the IRP Unit?

In person	By phone	By fax
3	27	3
9.1%	81.8%	9.1%

5. Was the assistance that was provided the last time you contacted the IRP Unit helpful in solving your problem or answering your question?

Yes	No
29	1
96.7%	3.3%

6. Have you had difficulty with any parts of the renewal process (completing the form, submitting the renewal on time, etc.)?

Yes	No
8	86
8.5%	91.5%

7. How long before your IRP registration expires do you normally receive your renewal notice/package?

0-14 days	15-30 days	31-60 days	More than 60 days
3	11	65	13
3.3%	12.0%	70.6%	14.1%

8. Do you feel this is sufficient time to complete your renewal form and return it to the IRP Unit?

Yes	No
88	5
94.6%	5.4%

9. Are you aware that you must maintain detailed mileage records of all miles traveled in each state?

Yes	No
93	1
98.9%	1.1%

10. Are you aware that the mileage information reported on your IRP registration may be audited?

Yes	No
93	1
98.9%	1.1%

11. Has your IRP registration ever been selected for audit?

Yes	No
40	52
43.5%	56.5%

12. Would you have preferred that the audit was done on-site at your place of business rather than sending in your records?

Yes	No
6	37
14.0%	86.0%

13. Has your business ever been selected for an International Fuel Tax Agreement (IFTA) audit?

Yes	No
9	83
9.8%	90.2%

INTERNATIONAL REGISTRATION PLAN
Department of State
Summary of State Survey Responses

Number of surveys mailed	48
Number of responses	22
Response rate	45.8%

1. What is your current registration/renewal cycle?

Annually	Quarterly	Monthly
16	0	6
72.7%		27.3%

Michigan uses a quarterly registration/renewal cycle.

2. Please explain the advantages and/or disadvantages of your current registration/renewal cycle.
   Responses varied widely and were lengthy; therefore, we did not include them here.

3. If you have changed from a different cycle, what was your previous cycle and why did you change?
   Four states had changed from annual to monthly renewal cycles. Reasons for change were to spread out the work load, reduce overtime, and allow for time off during holidays.

Michigan changed from an annual to a quarterly registration/renewal cycle to spread out the work load and reduce overtime.

4. How many IRP registrants did your state have for the following registration years?

	900 to 2,000	2,001 to 5,000	5,001 to 10,000	Over 10,000
1995	1 (5.0%)	8 (40.0%)	9 (45.0%)	2 (10.0%)
1996	2 (9.1%)	7 (31.8%)	9 (40.9%)	4 (18.2%)
1997	2 (9.1%)	7 (31.8%)	9 (40.9%)	4 (18.2%)

Michigan had approximately 6,400 registrants during 1997.

5. How many power units and trailers did your state register for the 1995, 1996, and 1997 registration years?
   Responses varied widely because of the number of registrants in the respective states and some respondents combined power units and trailers.

Michigan registered approximately 38,000 vehicles owned by approximately 6,400 registrants during 1997.

6. How many staff do you have for processing IRP registrations and renewals?

Full-Time Staff	Part-Time Staff
Ranged from none to 34	Ranged from none to 68

Michigan's IRP Unit had 13 full-time employees as of September 30, 1998.

7. What software does your state use for processing IRP registrations?

Polk/COVERS	Lockheed/VISTA	In-house system	CACI
2 (9.1%)	8 (36.4%)	11 (50.0%)	1 (4.5%)

Michigan usesPolk/COVERS software for processing IRP registrations.

8. What methods does your state allow registrants to use when renewing their IRP registrations?

In person	On line	By mail
19 (86.4%)	22 (100.0%)	8 (36.4%)

By phone	By fax	Other (Tape/file exchange)
2 (9.1%)	1 (4.5%)	1 (4.5%)

Michigan allows registrants to renew their IRP registrations in person, by mail, or by fax.

9. During renewal periods, is it necessary for your staff to work overtime to process IRP renewal registrations?

Yes	No (If No, go to question 11.)
12 (54.5%)	10 (45.5%)

Michigan no longer requires staff to work overtime to process IRP renewal registrations.

10. Approximately how many hours of overtime are required annually to process registration renewals? Responses from the 12 respondents ranged from 50 to 4,000 hours.

11. What methods of payment may registrants use to pay for their IRP registration?

Cash	Cashier's check	Credit card
20 (90.9%)	21 (95.5%)	9 (40.9%)

Certified check	Personal check	Other (EFT or Wire services)
21 (95.5%)	19 (86.4%)	7 (31.8%)

Michigan allows registrants to pay for their IRP registrations with cash or cashier's, certified, or personal checks.

12. What was the total dollar amount taken in by your state for IRP registrations (originals and renewals) for the following fiscal or calendar years?

Responses varied widely depending on the number of registrants in the respective states; therefore, we did not include them here.

	$0 to $10 Million	$10 Million to $25 Million	$25 Million to $50 Million	$50 Million to $100 Million	Over $100 Million
1995	3 (21.4%)	1 (7.1%)	5 (35.7%)	4 (28.6%)	1 (7.1%)
1996	3 (16.7%)	4 (22.2%)	4 (22.2%)	5 (27.8%)	2 (11.1%)
1997	3 (15.8%)	4 (21.1%)	4 (21.1%)	6 (31.6%)	2 (10.5%)

Michigan collected a total of $75,757,591 for the fiscal year ended September 30, 1998.

13. If your state allows registrants to pay with personal check, what was the total dollar amount of not sufficient funds (NSF) checks for the following fiscal or calendar years?

Responses varied widely; therefore, we did not include them here.

	Less than $1,000	$1,000 to $50,000	$50,000 to $100,000	Over $100,000
1995	2 (22.2%)	2 (22.2%)	2 (22.2%)	3 (33.3%)
1996	0	2 (25.0%)	2 (25.0%)	4 (50.0%)
1997	1 (9.1%)	2 (18.2%)	3 (27.3%)	5 (45.5%)

Michigan received $275,285 of NSF checks during 1997.

14. Does your state require IRP registrants to pay their registration/renewal fees in full?

Yes (If Yes, go to question 21)	No
15 (68.2%)	7 (31.8%)

Michigan does not require IRP registrants to pay their registration/renewal fees in full.

15. What portion of registration fees does a registrant have to pay to be eligible for using the partial payment plan?

All states offering partial payment plans required registrants to pay all out-of-state registration fees and from one quarter (1/4) to one half (1/2) of the respective state's registration fee.

Michigan allows registrants to pay one half (1/2) of Michigan's registration fee; however, all out-of-State registration fees must be paid in full.

16. Is there a fee for using the partial payment plan?

Yes	No (If No, go to question 18.)
2 (28.6%)	5 (71.4%)

Michigan charges a fee for using the partial payment plan.

17. What is the fee for using the partial payment plan?

Of the two states that charged a fee, one state charged $10 per vehicle and the other charged 3% of the respective state's registration fee.

Michigan charges registrants a $10 per vehicle fee for using the partial payment plan.

18. When is the partial payment balance due?

Partial payment balances were due every three, four, or six months, depending on the partial payment plan offered by the state.

Michigan requires registrants to pay the balance due in six months.

19. Is there a penalty for not paying the remaining balance due?

Yes	No (If No, go to question 21)
6 (85.7%)	1 (14.3%)

Michigan assesses a penalty for not paying the remaining balance due.

20. What is the penalty?

Penalties varied considerably for the six states; therefore, we did not include them here.

Michigan charges registrants a 25% fee on the remaining balance for not paying the balance due by the due date. In addition, the registrant is not allowed to use the partial payment option for two years.

21. How frequently does your state remit payments to other states for their portion of registrants' fees?

Monthly	Quarterly	Annually
17 (77.3%)	0	0

Other (Weekly, Biweekly, or 30-45 days)	Blank
4 (18.2%)	1 (4.5%)

Michigan generally remits payments to other jurisdictions within the 45-day period allowed by the IRP.

22. Using the attached vehicle/registrant information, please calculate and indicate here Michigan's portion of the registration fee. (Following are the calculation results.)

Fee Correctly Calculated	Fee Incorrectly Calculated	Fee Calculation Blank
14 (63.6%)	2 (9.1%)	6 (27.3%)

23. How many staff does your state dedicate to performing audits of IRP registrants?

Responses varied widely because of the number of audits that each state was required to perform and whether IRP audits were done simultaneously with International Fuel Tax Agreement audits. Therefore, we did not summarize the responses.

Michigan primarily uses temporary staff to perform these audits.

24. Do the audit staff perform only IRP audits or do they also perform International Fuel Tax Agreement (IFTA) audits?

Only IRP audits(If only IRP audits, go to question 26)	Both IRP and IFTA audits
7 (31.8%)	15 (68.2%)

Michigan does not conduct IRP and IFTA audits simultaneously. The Department of State is responsible for IRP audits and the Department of Treasury performs IFTA audits.

25. Are the IRP and IFTA audits conducted simultaneously?

Yes	No
15 (100.0%)	0

26. How many IRP (and, if applicable, IFTA) audits did your state conduct for the 1996 and 1997 fiscal or calendar years?

Responses varied widely; therefore, we did include them here.

Michigan issued 226 IRP audits in calendar year 1996 and 415 in calendar year 1997.

27. Please explain the method used by the audit staff for selecting registrants' accounts for audit.

Respondents stated that, in addition to random selection, accounts that are referred to them or that represent high risk are also selected for audit.

Michigan uses a random selection process for selecting registrants' accounts for audit, but it excludes registrants having 10 or more vehicles. We were informed that the Internal Audit Division believes that a combination of random selection and selection of registrants with apparent irregularities in their mileage reporting better meets the intent of the plan and allows coverage of areas deemed to be the highest risk. Subsequent to our audit, we were also informed that the Internal Audit Division has begun assigning audits of larger registrants to its permanent audit staff.

28. Do your audit staff conduct the IRP (and, if applicable, IFTA) audits on-site at the registrants' offices or are registrants requested to mail in their records for audit?

Audits conducted on-site	Records mailed in
8 (36.4%)	1 (4.5%)
Combination of on-site and mail in	**Blank**
12 (54.6%)	1 (4.5%)

Michigan requests registrants to mail in copies of records so that the audit can be conducted in the Department's offices.

29. Approximately how many hours does the average audit take?

Responses varied widely; therefore, we did not include them here.

No information for Michigan was obtained during the course of the audit.

30. Is the registrant assessed a penalty when the mileage records necessary for performing the audit are inadequate or nonexistent?

Yes	No (If No, go to question 32.)	Blank
15 (68.2%)	6 (27.3%)	1 (4.5%)

Michigan does not assess a penalty when a registrant's mileage records are inadequate or nonexistent.

31. What is the penalty?

100% of base state fees	Percentage penalty on base state fees
11 (73.3%)	4 (26.7%)

32. Are follow-up audits conducted of registrants who have inadequate or nonexistent records?

Yes	No	Blank
17 (77.3%)	2 (9.1%)	3 (13.6%)

Michigan has not performed follow-up audits of registrants who have inadequate or nonexistent records. However, the Internal Audit Division informed us that it has requested and reviewed records subsequent to the initial request to see if the registrants are maintaining records in accordance with IRP guidelines.

33. Does your state bill registrants for amounts determined to be due as a result of an audit?

Yes	No
22 (100.0%)	0

Michigan bills registrants owing over $10 as a result of an audit.

34. What is done if registrants do not pay audit assessments?

All states responded that some type of suspension or revocation action would take place.

Michigan's procedures do not provide for suspension or revocation of registrations' vehicle registrations.

35. Are registrants with outstanding audit assessments allowed to renew their registrations?

Yes	No
3 (13.6%) (Only if under protest or payment plan)	19 (86.4%)

Michigan allowed registrants with outstanding audit assessments to renew their registrations because the IRP Unit was not made aware of the outstanding audit assessments.

Glossary of Acronyms and Terms

effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
fleet	One or more vehicles with prorated license fees.
IFTA	International Fuel Tax Agreement.
International Registration Plan (IRP)	A registration reciprocity agreement among the 48 contiguous states of the United States and 3 provinces of Canada providing for the prorating of license fees for commercial vehicles used for interstate commerce based on the number of miles operated in the each state and province.
jurisdictions	Any of the 48 contiguous states of the United States and 3 provinces of Canada that are members of the International Registration Plan.
NSF	not sufficient funds.
performance audit	An economy and efficiency audit or a program that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
registrant	The owner of a power unit(s) or trailer(s) with prorated license fees.

reportable condition A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

vehicles Power units and trailers with prorated license fees that are used for interstate commerce.