

Office of the Auditor General
Performance Audit Report

Automobile Theft Prevention Authority
Michigan Department of State Police

March 2019

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



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Report Summary

*Performance Audit
Automobile Theft Prevention Authority
(ATPA)
Michigan Department of State Police*

Report Number:
551-0108-18

Released:
March 2019

ATPA operates under Public Act 174 of 1992 to reduce motor vehicle theft in the State of Michigan. ATPA is funded by an annual assessment on automobile insurance companies at a rate of \$1 per insured motor vehicle, including both private passenger and commercial vehicles. The ATPA Board of Directors awards annual grants to law enforcement agencies, prosecutors' offices, and nonprofit organizations for four main programs: investigation, apprehension, prosecution, and prevention of automobile theft. In fiscal year 2017, ATPA received \$7.3 million in assessments, approved \$6.2 million in grant awards, and distributed \$5.5 million in grant reimbursements.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of ATPA in administering grants for automobile theft prevention programs.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

Audit Objective			Conclusion
Objective #2: To determine the appropriateness of ATPA expenditures.			Appropriate
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

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March 14, 2019

Colonel Joseph Gasper
Chair, Automobile Theft Prevention Authority Board of Directors
Director, Michigan Department of State Police
7150 Harris Drive
Dimondale, Michigan

Dear Colonel Gasper:

This is our performance audit report on the Automobile Theft Prevention Authority, Michigan Department of State Police.

When our preliminary survey does not identify significant concerns to warrant completing the audit, we issue a preliminary survey summary. For this project, we went forward with the audit because of the increased public interest in the Automobile Theft Prevention Authority's administration of grants and the appropriateness of its expenditures.

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

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

ADMINISTRATION OF GRANTS

BACKGROUND

The Automobile Theft Prevention Authority's (ATPA's) mission* is to reduce motor vehicle theft. Crime statistics published by the Federal Bureau of Investigation show that, prior to an increase in 2016, motor vehicle thefts in Michigan and surrounding states were trending downward and had decreased significantly from 2006 (see supplemental information).

ATPA awards annual grants to law enforcement agencies, prosecutors' offices, and nonprofit organizations for four main programs: investigation, apprehension, prosecution, and prevention of automobile theft. Grants are awarded on a fiscal year basis and require a 50% grantee match. ATPA reviews quarterly financial and performance reports, conducts annual performance and biennial financial reviews, and reimburses grantees on a quarterly basis.

AUDIT OBJECTIVE

To assess the effectiveness* of ATPA in administering grants for automobile theft prevention programs.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- ATPA conducted annual performance reviews in a timely manner for the fiscal year 2016 and 2017 grantees that we reviewed.
- ATPA reviewed grantees' quarterly financial reports for accuracy and supporting documentation prior to disbursing grant funds for the 22 financial reports that we reviewed.
- ATPA prepared the legislatively required annual report for fiscal year 2017 accurately and in a timely manner.

* See glossary at end of report for definition.

APPROPRIATENESS OF EXPENDITURES

BACKGROUND

In accordance with Section 500.6107 of the *Michigan Compiled Laws*, ATPA's plan of operation designates that ATPA funds may be expended for the following purposes:

- Administration of ATPA.
- Law enforcement projects.
- Prosecution projects.
- Prevention and educational programs.
- Training.

ATPA expended funds as follows:

	Fiscal Year		
	2016	2017	2018*
Administration:			
Payroll	\$ 577,889	\$ 599,946	\$ 561,673
Other	61,663	68,125	34,019
Distributed to grantees:			
Law enforcement agencies	4,487,652	4,630,729	3,215,454
Prosecutors' offices	743,466	692,027	550,512
Nonprofit organizations	233,492	202,441	189,905
Total	<u>\$6,104,162</u>	<u>\$6,193,268</u>	<u>\$4,551,563</u>

* Through August 31, 2018.

AUDIT OBJECTIVE

To determine the appropriateness of ATPA expenditures.

CONCLUSION

Appropriate.

FACTORS IMPACTING CONCLUSION

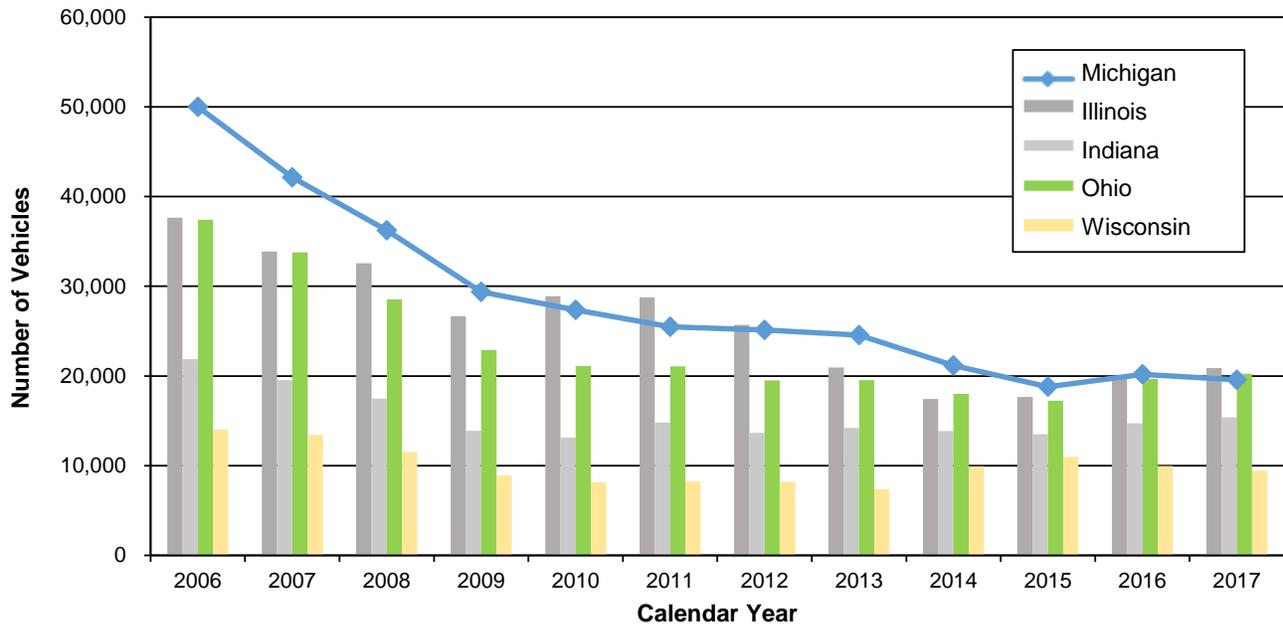
- ATPA's controls ensured that payroll and other administrative costs were materially expended in accordance with statute and the ATPA Board of Directors' approval.
- ATPA's controls ensured that disbursements to grantees were in compliance with statute and grant agreements.
- ATPA's documentation adequately supported the 22 grant payments that we reviewed.

SUPPLEMENTAL INFORMATION

UNAUDITED

AUTOMOBILE THEFT PREVENTION AUTHORITY Michigan Department of State Police

Motor Vehicle Thefts in Michigan and Neighboring States For Calendar Years 2006 Through 2017



Year	Michigan	Illinois	Indiana	Ohio	Wisconsin
2006	50,017	37,641	21,866	37,425	14,031
2007	42,151	33,887	19,557	33,779	13,433
2008	36,241	32,572	17,455	28,532	11,520
2009	29,383	26,676	13,879	22,890	8,926
2010	27,353	28,911	13,118	21,118	8,138
2011	25,496	28,769	14,816	21,068	8,232
2012	25,115	25,690	13,661	19,512	8,216
2013	24,567	20,933	14,204	19,532	7,388
2014	21,157	17,451	13,861	18,015	9,919
2015	18,797	17,652	13,519	17,229	10,985
2016	20,176	19,910	14,731	19,667	9,958
2017	19,573	20,881	15,401	20,253	9,468

Source: The OAG prepared this supplemental information using data from the Uniform Crime Reporting Program, Federal Bureau of Investigation.

DESCRIPTION

ATPA operates within the Michigan Department of State Police (MSP) under the authority of Public Act 174 of 1992. ATPA functions independently of the head of MSP, except for the administrative responsibilities for ATPA's employees and its budgeting, procurement, and related activities.

ATPA is governed by a seven-member Board of Directors, including the MSP director, appointed by the Governor with the advice and consent of the Senate. Members serve for a term of four years, and the Governor designates one member to serve as chairperson.

ATPA is funded through annual assessments paid by automobile insurance companies at a rate of \$1 per insured motor vehicle, including both private passenger and commercial vehicles. In fiscal year 2017, ATPA received \$7.3 million in assessments, approved \$6.2 million in grant awards, and distributed \$5.5 million to 21 grantees, composed of 12 law enforcement teams, 4 prosecutors' offices, and 5 nonprofit organizations.

As of September 30, 2017, ATPA had 3 full-time employees and utilized the services of 4 other employees who split their time between ATPA and MSP responsibilities.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the program and other records related to ATPA. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, and quality assurance, generally covered October 1, 2015 through August 31, 2018.

METHODOLOGY

We conducted a preliminary survey of ATPA to formulate a basis for defining our audit objectives and scope. During our preliminary survey, we:

- Interviewed ATPA management and staff to gain an understanding of ATPA's organizational structure, operations, responsibilities, and activities.
- Reviewed applicable laws, policies, procedures, and other pertinent information.
- Analyzed ATPA's revenue and expenditure data for the audit period.
- Obtained an understanding of and reviewed documentation related to ATPA's grant award and monitoring processes.

OBJECTIVE #1

To assess the effectiveness of ATPA in administering grants for automobile theft prevention programs.

To accomplish this objective, we:

- Tested 22 of the 239 quarterly financial reports relating to the period October 1, 2015 through June 30, 2018 to determine whether they were received and reviewed by ATPA prior to disbursing grant funds. We judgmentally selected the grantees and randomly sampled the reports to ensure adequate audit coverage. Therefore, we could not project the results to the overall population.

* See glossary at end of report for definition.

- Tested annual performance reviews conducted by ATPA for 4 of the 20 applicable grantees during fiscal years 2016 and 2017 to determine whether the grantees' activities were monitored in a timely manner and that supporting documentation was appropriate. We judgmentally selected the grantees to ensure adequate audit coverage. Therefore, we could not project the results to the overall population.
- Compared the 2017 Plan of Operations and Biennial Report with the legislative requirements to determine completeness.
- Verified the accuracy of the ATPA revenue and expenditure totals presented in the 2017 ATPA annual report to the Legislature.
- Traced selected Michigan and national automobile theft data presented in the 2017 ATPA annual report to the sources cited for that data.
- Evaluated the timeliness of the 2017 ATPA annual and biennial reports.

OBJECTIVE #2

To determine the appropriateness of ATPA expenditures.

To accomplish this objective, we:

- Analyzed payroll expenditures for all employees charged to ATPA from October 1, 2015 through July 28, 2018 to determine if the amounts, or percentages for shared employees, were in accordance with budgeted amounts approved by the ATPA Board.
- Analyzed nonpayroll expenditures by vendor and reviewed the appropriateness of expenditures paid to select vendors.
- Tested 22 of the 239 quarterly financial reports relating to the period October 1, 2015 through June 30, 2018 to determine whether they were received and reviewed by ATPA prior to disbursing grant funds. We judgmentally selected the grantees and randomly sampled the reports to ensure adequate audit coverage. Therefore, we could not project the results to the overall population.
- Verified ATPA's calculation of grantee payments to ensure that reimbursement was limited to 50% of the total grant award.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions*.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

**AGENCY
RESPONSES**

Not applicable.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes historical data related to motor vehicle thefts in Michigan and neighboring states presented as supplemental information. Our audit was not directed toward expressing a conclusion on this information.

** See glossary at end of report for definition.*

GLOSSARY OF ABBREVIATIONS AND TERMS

ATPA	Automobile Theft Prevention Authority.
effectiveness	Success in achieving mission and goals.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
MSP	Michigan Department of State Police.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.



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