

Office of the Auditor General

Performance Audit Report

Office of Hearings and Administrative Oversight

Department of State

December 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



Performance Audit
Office of Hearings and
Administrative Oversight (OHAO)
Department of State

Report Number:
231-0233-19

Released:
December 2019

OHAO appoints hearing officers to conduct appeals from individuals who disagree with licensing decisions, such as license denial, suspension, or revocation. At the conclusion of an appeal, the hearing officer renders a decision to uphold the original decision, grant a restricted license, or set aside the original decision. In addition, OHAO monitors the Ignition Interlock Program that oversees individuals with a restricted license requiring a breath alcohol ignition interlock device (BAIID) granted by a hearing officer. In fiscal year 2018, OHAO expended \$3.9 million. As of June 3, 2019, OHAO had 29 employees.

Audit Objective			Conclusion
Objective #1: To assess the sufficiency of OHAO's oversight of BAIID manufacturers and service centers.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
BAIID manufacturers and service centers did not meet all compliance requirements of the <i>Michigan Compiled Laws</i> to be approved for operating. We noted: <ul style="list-style-type: none">Missing applications for manufacturers and service centers.Underserved areas within the State for BAIID servicing (Finding #1).		X	Agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness and efficiency of OHAO's oversight of the Ignition Interlock Program.			Moderately effective and moderately efficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Forty percent of sampled potential BAIID violations exceeded 45 business days for review (Finding #2).		X	Agrees
Access remained for 27 Ignition Interlock System user accounts after the user no longer required access to the system or after the account was inactive for more than 60 days (Finding #3).		X	Agrees

Audit Objective			Conclusion
Objective #3: To assess the sufficiency of OHAO's appeals hearing processes.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

Obtain Audit Reports

Online: audgen.michigan.gov

Phone: (517) 334-8050

Office of the Auditor General
201 N. Washington Square, Sixth Floor
Lansing, Michigan 48913

Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

December 20, 2019

The Honorable Jocelyn Benson
Secretary of State
Richard H. Austin Building
Lansing, Michigan

Dear Secretary Benson:

This is our performance audit report on the Office of Hearings and Administrative Oversight, Department of State.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

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

Sincerely,

Doug Ringler
Auditor General

TABLE OF CONTENTS

OFFICE OF HEARINGS AND ADMINISTRATIVE OVERSIGHT

	<u>Page</u>
Report Summary	1
Report Letter	3
 Audit Objectives, Conclusions, Findings, and Observations	
Manufacturer and Service Center Oversight	8
Findings:	
1. Manufacturer and service center oversight process needs improvement.	11
Ignition Interlock Program Oversight	14
Findings:	
2. Timeliness of potential violation reviews needs improvement.	16
3. Access controls over IIS need improvement.	18
Appeals Hearing Processes	20
 Supplemental Information	
Locations of BAIID Service Centers for:	
Exhibit #1 - Alcohol Countermeasure Systems	21
Exhibit #2 - Alcohol Detection Systems	22
Exhibit #3 - Draeger, Inc.	23
Exhibit #4 - Intoxalock	24
Exhibit #5 - LifeSafer Interlock	25
Exhibit #6 - SmartStart	26
Agency Description	27
Audit Scope, Methodology, and Other Information	28
Glossary of Abbreviations and Terms	33

AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

MANUFACTURER AND SERVICE CENTER OVERSIGHT

BACKGROUND

The Office of Hearings and Administrative Oversight (OHAO) approves breath alcohol ignition interlock device* (BAIID) manufacturers and service centers*.

Section 257.625k of the *Michigan Compiled Laws* outlines the requirements for State approval of BAIID manufacturers. A BAIID manufacturer shall:

- Apply annually for recertification of the BAIIDs it manufactures.
- Submit a laboratory report certifying that the BAIID meets or exceeds model specifications.
- Submit a bond or a letter of credit.
- Ensure that the liability insurance policy is current and remains valid during the duration of device approval and that the policy has a minimum coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.
- Submit proof of liability insurance that specifies the name and model number of the device model covered by the policy.
- Ensure that the liability insurance policy includes a statement that it will indemnify the Department of State and any other person injured as a result of any defects in manufacture, materials, design, calibration, installation, or operation of the device.
- Submit an affidavit that the ignition interlock device meets or exceeds conditions for device operation.
- Agree to have service locations within 50 miles of any location within the State or request a waiver of this requirement.

Section 257.625k(14) of the *Michigan Compiled Laws* outlines the requirements for State approval of BAIID service centers. A BAIID service center shall:

- Apply annually to the State through the BAIID manufacturer and include only a single service center per application.

* See glossary at end of report for definition.

- Be a licensed motor vehicle repair facility unless offering BAIID services before July 1, 2016.
- Have at least 1 licensed mechanic with a specialty BAIID service certification.
- Provide a designated waiting area for customers that is separate from the area in which BAIIDs are installed or serviced*.
- Allow only BAIID installers, manufacturer representatives, or Department of State staff to observe the installation or removal of a BAIID.
- Be located at a fixed facility within the State that is made available to the Department of State and inform the Department 15 days prior to the date of any relocation.
- Maintain and make available for inspection records that prove that each certified BAIID installer working at the service center has been properly trained by the BAIID manufacturer to service the BAIID for which the center is a vendor.
- Ensure that adequate security measures are taken to ensure that unauthorized personnel are not allowed access to proprietary materials of BAIID manufacturers or files of customers.

As of June 2019, there were six BAIID manufacturers with approved devices for use in Michigan. Each manufacturer provides materials and training on BAIID installation, calibration, repair, and removal to licensed mechanics at selected repair facilities. BAIID manufacturers certify and submit service center applications to OHAO identifying the technicians trained and the service center names and locations. OHAO approved 221 facilities to operate as BAIID service centers as of May 31, 2019.

AUDIT OBJECTIVE

To assess the sufficiency of OHAO's oversight of BAIID manufacturers and service centers.

CONCLUSION

Sufficient, with exceptions.

FACTORS IMPACTING CONCLUSION

- OHAO documented affidavits with required certifications, reports from an approved laboratory certifying that the BAIIDs met or exceeded the required model specifications,

* See glossary at end of report for definition.

quality assurance plans, training materials, and surety bonds for all 6 BAID manufacturers.

- Service center applications included certifications that the service center is a licensed repair facility, employs at least one BAID certified mechanic, operates at a fixed location, and provides a designated waiting area for customers that is separate from the service area.
- Reportable condition* related to improving BAID manufacturer and service center oversight (Finding #1).

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

FINDING #1

Manufacturer and service center oversight process needs improvement.

OHAO should improve its procedures for oversight of BAIID manufacturers and service centers to help ensure the integrity of the BAIIDs, which could protect consumers and increase public safety.

Section 257.625k of the *Michigan Compiled Laws* outlines the requirements (as described in the background section of this audit objective) for State approval of BAIID manufacturers and service centers.

Our review of the 6 BAIID manufacturers and 22 randomly selected service centers from January 1, 2017 through May 31, 2019 disclosed that OHAO did not ensure that BAIID manufacturers and service centers submitted all required documentation. We noted:

a. For BAIID manufacturers:

- (1) Four (67%) of the 6 manufacturers did not annually apply for recertification of their BAIIDs.
- (2) Manufacturers did not always submit proof of liability policies that included:
 - (a) The name and model number of the BAIID covered by the policy for 3 (50%) of the 6 manufacturers.
 - (b) A statement within the policy that the manufacturer will indemnify the Department of State and any other person injured as a result of any defects in manufacture, materials, design, calibration, installation, or operation of the device for 3 (50%) of 6 the manufacturers.
- (3) All 6 manufacturers did not meet the requirement to have a service center located within 50 miles of any location in the State (see Exhibits #1 through #6) or, if unable to do so, request a waiver.
- (4) The manufacturers did not report all service centers that install and service their devices. If a service center offers services for multiple BAIIDs, each manufacturer is required to submit a separate application for the service center. We identified 47 service centers from the manufacturers' public Web sites that potentially offered BAIID services without all required OHAO approvals. We contacted 10 of those service centers and identified 2 (20%) that offered BAIID services without obtaining all of the required OHAO approvals.

OHAO informed us that it did not have a formal tracking system in place to ensure that all manufacturers submitted required documentation and met other reporting

requirements until the Customer and Automotive Records System* (CARS) was implemented in February 2019.

b. For BAID service centers tested:

- (1) For 7 (32%) of the 22 service centers tested, the BAID manufacturers did not submit their annual applications. We contacted all 7 of the service centers and confirmed that they continued to offer BAID services at the time of our review.
- (2) For all 22 (100%) service centers tested, OHAO did not verify all criteria required by law prior to the approval of BAID service centers, for example:
 - (a) The service center shall maintain and make available records that prove the proper training of each certified BAID technician.
 - (b) Adequate security measures are taken to ensure that unauthorized personnel are not allowed access to proprietary BAID manufacturers' materials or customer files.

OHAO stated that it updated the service center tracking mechanism by transitioning to the electronic CARS in February 2019; however, because of issues with the transition, OHAO extended the due dates for service centers to enter and to renew applications in CARS. OHAO stated that it realized there would be a lapse for some of the service centers during this transition because of the implementation of CARS.

RECOMMENDATION

We recommend that OHAO improve its procedures for oversight of BAID manufacturers and service centers.

**AGENCY
PRELIMINARY
RESPONSE**

The Department of State provided us with the following response:

OHAO agrees with the finding and will comply. OHAO created a new manufacturer renewal application to allow manufacturers to recertify their devices when they renew. OHAO also contacted the manufacturers to request updated insurance policies that include the necessary information. As of December 4, 2019, all manufacturers have complied. In addition, with the implementation of CARS, OHAO is now able to track manufacturer and service center applications and renewals. OHAO has contacted all manufacturers and requested that BAID service centers not approved by OHAO be immediately removed from websites and BAID service be discontinued until the application has been resubmitted and approved by OHAO.

* See glossary at end of report for definition.

In addition, OHAO created a form that attests that the manufacturer provided the mechanic with training required for its BAIID. Both the manufacturer and mechanic must sign this form and keep it in plain view at the service center. These forms must be in place during the pre-approval inspection, and a review of these onsite forms will be included in all inspections. The Department has also implemented pre-approval inspections of service centers to verify the service center complies with the law and appropriate security measures are in place prior to granting approval.

IGNITION INTERLOCK PROGRAM OVERSIGHT

BACKGROUND

OHAO oversees the Ignition Interlock Program* (IIP) in accordance with *Michigan Administrative Code R 257.313a*. Section 322(6) of the *Michigan Compiled Laws* permits hearing officers to issue restricted driver's licenses to select petitioners requiring the drivers to use a BAIID in any vehicle that they operate. As of May 31, 2019, OHAO designated two employees to review violations for 11,402 individuals required to use a BAIID.

Section 257.20d of the *Michigan Compiled Laws* states that a BAIID is required to prevent a motor vehicle from starting without first determining the operator's alcohol level through a deep lung sample. The device is also set to periodically require a sample from the driver while the vehicle is in operation. When the driver provides a sample, the BAIID logs a digital image and records the date and time.

Prior to May 2017, BAIID manufacturers analyzed data, identified major violations* and minor violations*, and provided OHAO with a violation report. Beginning in May 2017, manufacturers transmitted all potential violation data to OHAO's Ignition Interlock System* (IIS), thus giving OHAO the ability to identify violations. When OHAO identifies a major violation, the Department reinstates the original license revocation or denial of license application as required by *Michigan Administrative Code R 257.313a(11)*.

Major violations include actions such as:

- Failing to complete a periodic retest.
- Tampering with the BAIID.
- Committing three minor violations.

Minor violations are:

- After the BAIID has been installed for at least two months, the BAIID recording three start-up test failures.
- The driver failing to report for servicing within seven days after a scheduled service date*.

AUDIT OBJECTIVE

To assess the effectiveness* and efficiency* of OHAO's oversight of the IIP.

CONCLUSION

Moderately effective and moderately efficient.

* See glossary at end of report for definition.

**FACTORS
IMPACTING
CONCLUSION**

- For 100% of potential major and minor BAIID violations reviewed, OHAO took appropriate action in accordance with the *Michigan Administrative Code*.
- OHAO's controls documented that users serviced their BAIIDs in a timely manner as required for 100% of sampled BAIID users.
- IIS automated audit actions were in place from January 2017 through May 2019, producing account status monitoring reports.
- OHAO assigned IIS access based on the principle of least privilege* for 100% of sampled users.
- Reportable conditions related to ensuring timely review of potential violations (Finding #2) and improving access controls over IIS (Finding #3).

* See glossary at end of report for definition.

FINDING #2

Timeliness of potential violation reviews needs improvement.

68 of 171 (40%) potential BAID violations exceeded 45 business days for review.

OHAO should develop policies and procedures for the timely review of potential BAID violations to ensure that violations resulting in license revocations are promptly addressed.

Michigan Administrative Code R 257.313a(11) requires the Department of State to revoke a petitioner's restricted license if the petitioner commits an act that would be a major violation.

We randomly and judgmentally sampled 43 of 18,626 BAID users whose devices reported 171 potential violations between January 1, 2017 and May 31, 2019. OHAO's review resulted in 12 major violations, of which 9 (75%) were reviewed on average 70 business days after the date of service. The results of our review from BAID service date to OHAO review date are summarized in the following table:

Number of Business Days to Review Potential Violation	Number of Violations			
	No Violation	Minor Violation	Major Violation	Total
5 days or less	42		3	45
Between 6 and 10 days	5			5
Between 11 and 20 days	8			8
Between 21 and 45 days	45			45
Between 46 and 100 days	47	2	9	58
More than 100 days	10			10
Total	157	2	12	171

With the implementation of IIS in May 2017, OHAO transitioned the review of potential violations from the manufacturers to OHAO staff but did not develop a measurement similar to what was required of the manufacturers. *Michigan Administrative Code R 257.313a(7)* requires the manufacturer to provide a report of BAID violations within 5 business days of the service date. OHAO informed us that IIS did not capture the date that OHAO received the BAID violations data and, therefore, could not determine the timeliness of receipt of the data and OHAO's review of the data separately. However, we completed the timeliness analysis based on the device service date and the final review date. OHAO informed us that it has submitted a request to capture the receipt date of BAID violations in IIS.

RECOMMENDATION

We recommend that OHAO develop policies and procedures for the timely review of potential BAID violations to ensure that violations resulting in license revocations are promptly addressed.

**AGENCY
PRELIMINARY
RESPONSE**

The Department of State provided us with the following response:

OHAO agrees with the finding and will develop policies and procedures for the timely review of potential BAID violations, with implementation upon sufficient resources. To that end and in light of the increased number of BAID violations, OHAO will consider seeking legislation to pursue alternative funding sources for additional staff to ensure that violations resulting in license sanctions are addressed in a more timely manner.

FINDING #3

Access controls over IIS need improvement.

OHAO needs to improve its controls over IIS to help prevent and detect inappropriate access and protect confidential information from unauthorized access, use, disclosure, modification, or destruction.

State of Michigan Technical Standard 1340.00.020.01 requires administrators to establish Department of Technology, Management, and Budget (DTMB) approved and National Institute of Standards and Technology* (NIST) compliant processes to create, enable, modify, disable, and remove information system accounts. The Standard requires an information system to automatically disable inactive user accounts after 60 days and requires that agencies remove access within 72 hours when accounts are no longer required, users are terminated or transferred, or user privileges change.

Our review of access controls over IIS noted:

- a. For 4 of 5 months sampled, 24 user accounts were not disabled when inactive for more than 60 days:

	Sampled Active User Reports From				
	April 2017	December 2017	March 2018	July 2018	January 2019
Inactive accounts:					
Inactive 61 to 365 days	0	1	2	1	0
Inactive over 365 days	0	0	0	1	2
Never logged in	0	23	22	22	22
Total inactive accounts	0	24	24	24	24
Active accounts	6	26	29	29	30
Total accounts	6	50	53	53	54
Exception rate	0%	48%	45%	45%	44%

OHAO developed an IIS report review process; however, OHAO could not provide evidence of its review of these reports.

* See glossary at end of report for definition.

- b. Five (8%) of 60 accounts were not removed in a timely manner:

User	Date That User No Longer Required IIS Access	Removal Date	Number of Days That IIS Access Remained After Termination
1	April 29, 2019	June 19, 2019	51
2	February 28, 2019	June 19, 2019	111
3	December 28, 2018	June 19, 2019	173
4*	September 26, 2018	June 19, 2019	266
5*	February 28, 2018	June 19, 2019	476

*These users had never logged into IIS and were in the inactive population noted in part a. of this finding at the time of departure from the Department.

OHAO informed us that IIS was not designed to automatically disable inactive users after 60 days and that it relied on access termination within Active Directory* to prevent unauthorized access to IIS. During our audit fieldwork, OHAO removed all user accounts noted in parts a. and b.

RECOMMENDATION

We recommend that OHAO improve its controls over IIS to help prevent and detect inappropriate access and protect confidential information.

AGENCY PRELIMINARY RESPONSE

The Department of State provided us with the following response:

OHAO agrees with the finding. OHAO has implemented a monitoring program to ensure the removal of user access within 72 hours when accounts are no longer required, users are terminated or transferred, or user privileges change. The monitoring program confirms that users are deleted or disabled in a timely manner. OHAO has also implemented a process to document its review of security reports by adding initials and dates to the security report prior to saving the document.

In addition, OHAO has worked with DTMB to enhance the system to automatically disable inactive user accounts after 60 days. This will be implemented no later than January 2020.

* See glossary at end of report for definition.

APPEALS HEARING PROCESSES

BACKGROUND

OHAO hears appeals from persons aggrieved by actions taken against their driver's licenses. Section 257.322 of the *Michigan Compiled Laws* grants the hearing officers authority to affirm, modify, or set aside the final determination of the Secretary of State based on the support and testimony provided by the petitioner.

OHAO reviews and documents hearing requests in the Driver Appeals Integrated System (DAIS)*. Complete and eligible hearing requests are scheduled with one of 10 hearing officers who hear a maximum of seven appeals a day. OHAO notifies petitioners when their requests are scheduled or if they were denied. Hearings take place in person or via video conference based on the location of the petitioners. Subsequent to a hearing, the hearing officer will issue a decision to the petitioner.

AUDIT OBJECTIVE

To assess the sufficiency of OHAO's appeals hearing processes.

CONCLUSION

Sufficient.

FACTORS IMPACTING CONCLUSION

- OHAO improved the timeliness of case review and completion between the February 1, 2018 implementation of DAIS and June 10, 2019.
- OHAO completed hearing requests and appropriately maintained documentation to support its final decisions for 97% of sample items reviewed.
- OHAO appropriately retained hearing request documentation when decommissioning Informix* and transitioning to DAIS for 100% of sample items reviewed.
- OHAO obtained signed security agreement forms and proper approvals prior to adding users to DAIS for 100% of sample items reviewed.
- OHAO appropriately removed DAIS user access for 100% of sampled employees within 72 hours after the users' departure.

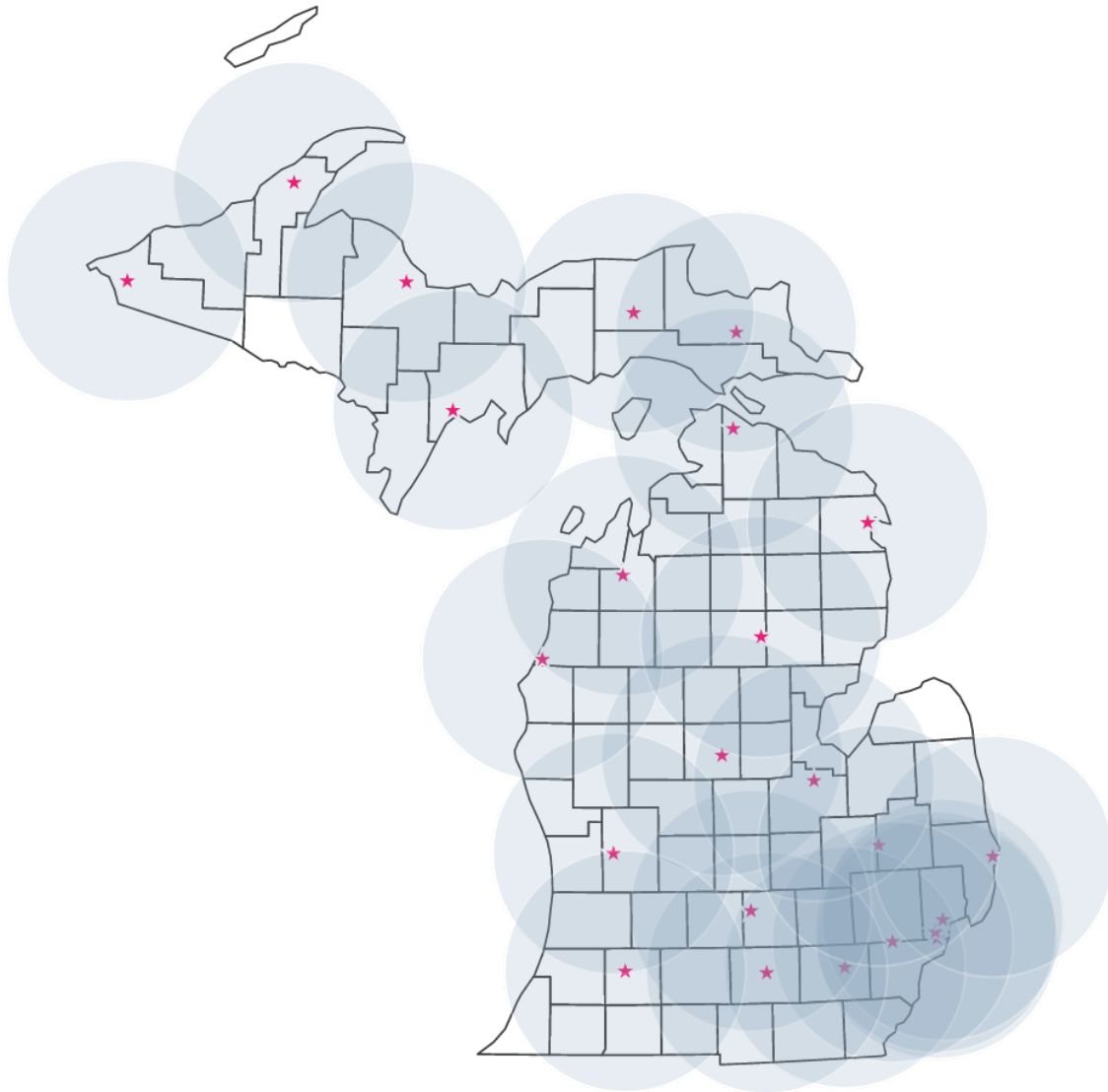
* See glossary at end of report for definition.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

OFFICE OF HEARINGS AND ADMINISTRATIVE OVERSIGHT
Department of State

Locations of BAID Service Centers for Alcohol Countermeasure Systems
As of July 1, 2019

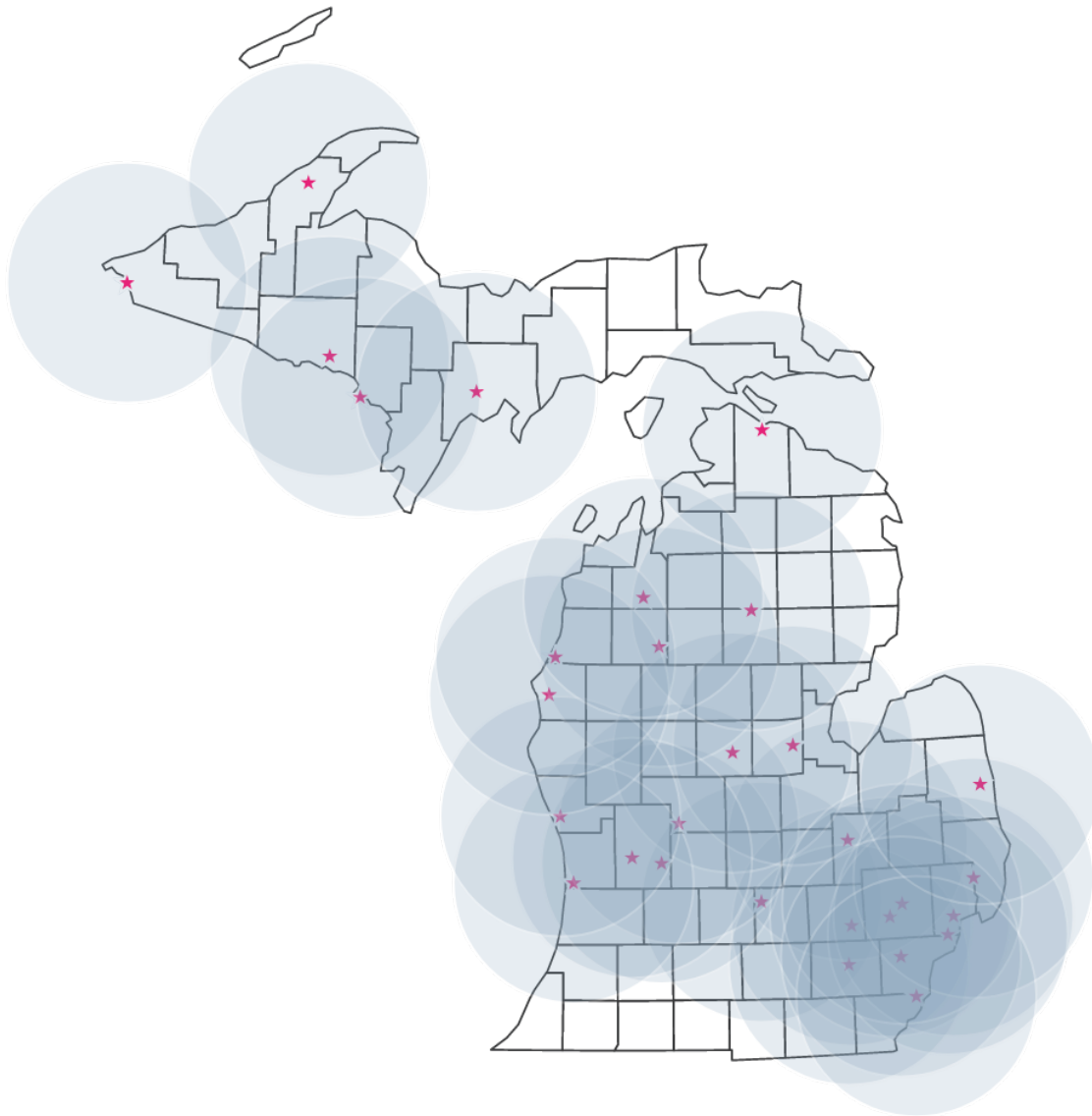


Note: Section 257.625k of the *Michigan Compiled Laws* requires a service center to be located within 50 miles from any location in the State. Each service center is marked with a star, and a circle drawn around each service center shows the 50-mile radius.

Source: The OAG prepared this exhibit using simplemaps.com. This exhibit is based on locations extracted from alcolockusa.com.

OFFICE OF HEARINGS AND ADMINISTRATIVE OVERSIGHT
Department of State

Locations of BAIID Service Centers for Alcohol Detection Systems
As of July 1, 2019

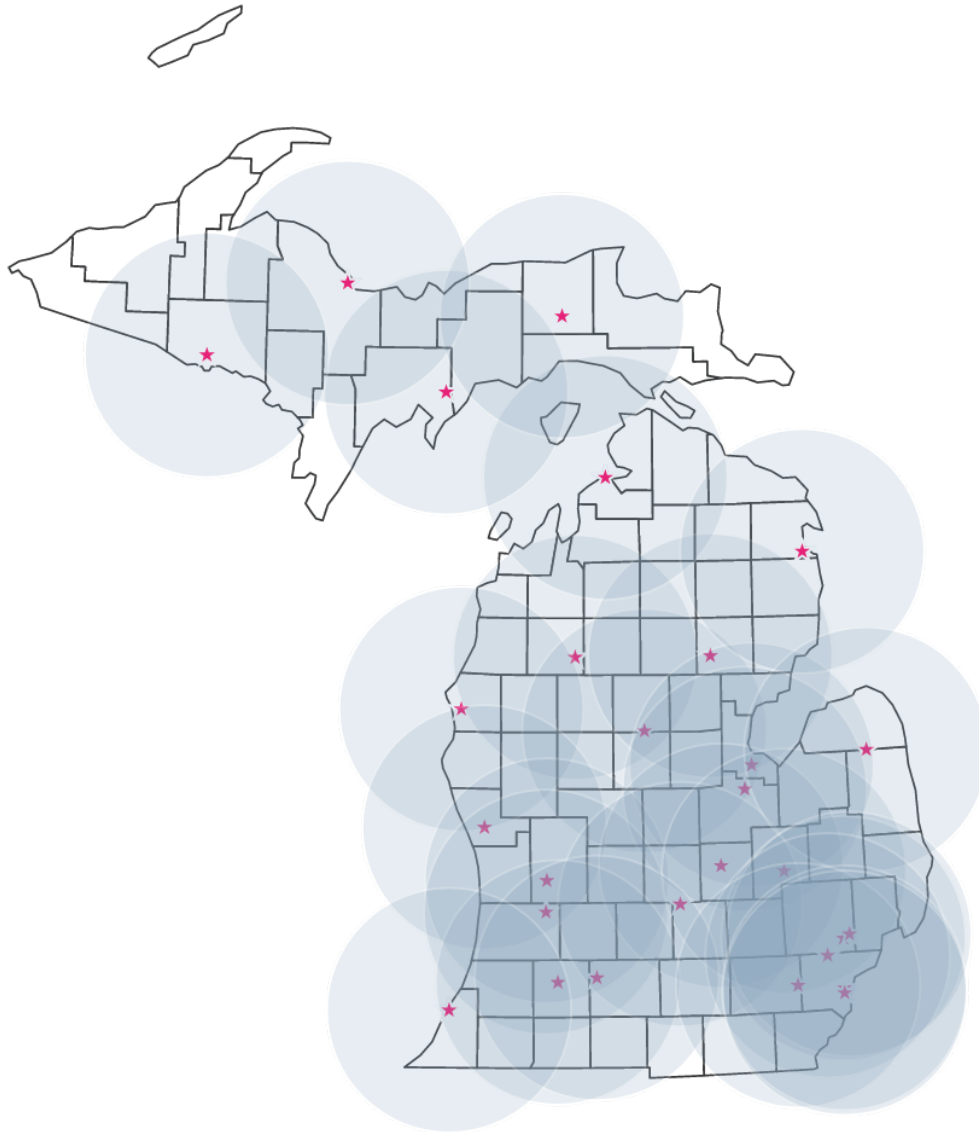


Note: Section 257.625k of the *Michigan Compiled Laws* requires a service center to be located within 50 miles from any location in the State. Each service center is marked with a star, and a circle drawn around each service center shows the 50-mile radius.

Source: The OAG prepared this exhibit using simplemaps.com. This exhibit is based on locations extracted from adsinterlock.com.

OFFICE OF HEARINGS AND ADMINISTRATIVE OVERSIGHT
Department of State

Locations of BAIID Service Centers for Draeger, Inc.
As of July 1, 2019

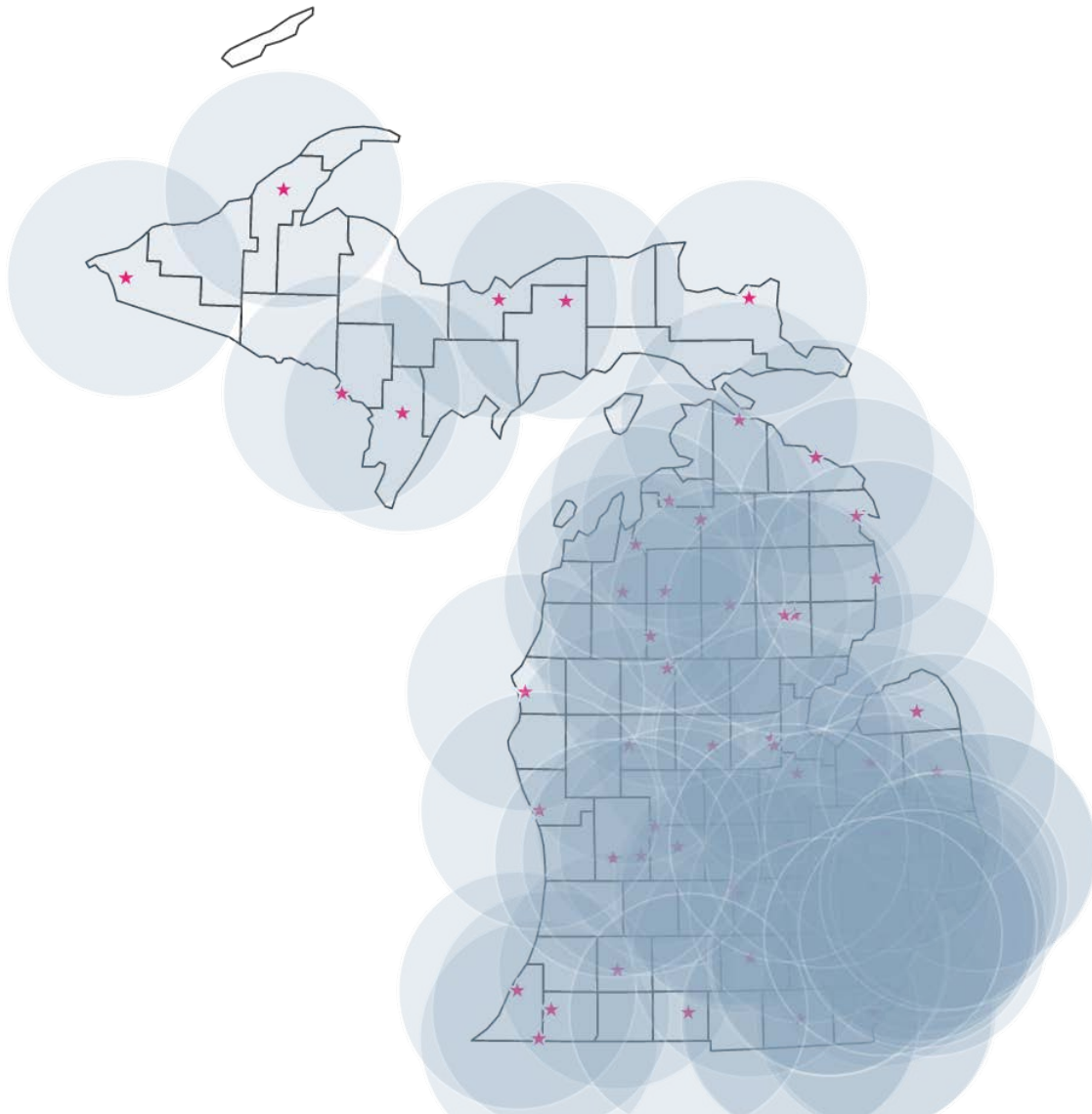


Note: Section 257.625k of the *Michigan Compiled Laws* requires a service center to be located within 50 miles from any location in the State. Each service center is marked with a star, and a circle drawn around each service center shows the 50-mile radius.

Source: The OAG prepared this exhibit using simplemaps.com. This exhibit is based on locations extracted from draegerinterlock.com.

OFFICE OF HEARINGS AND ADMINISTRATIVE OVERSIGHT
Department of State

Locations of BAID Service Centers for Intoxalock
As of July 1, 2019

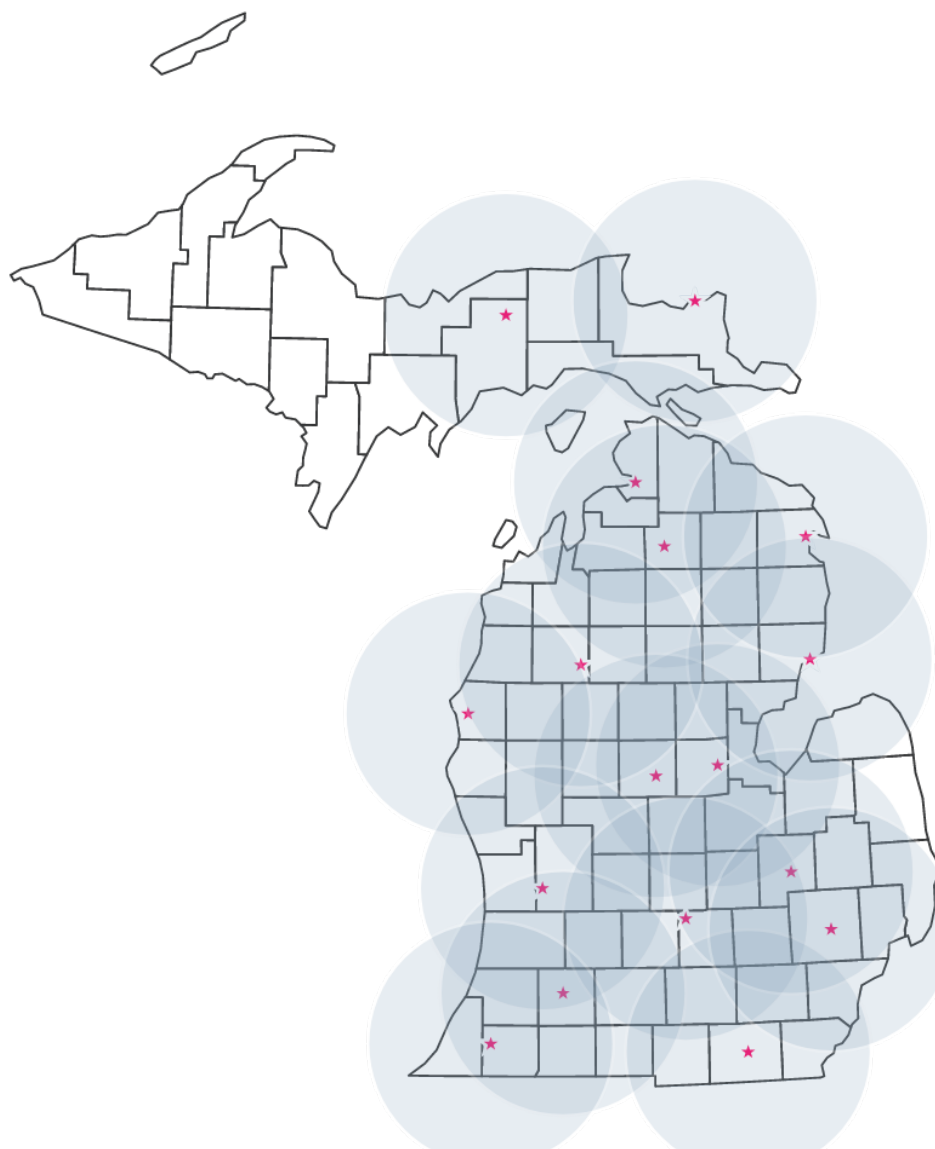


Note: Section 257.625k of the *Michigan Compiled Laws* requires a service center to be located within 50 miles from any location in the State. Each service center is marked with a star, and a circle drawn around each service center shows the 50-mile radius.

Source: The OAG prepared this exhibit using simplemaps.com. This exhibit is based on locations extracted from intoxalock.com.

OFFICE OF HEARINGS AND ADMINISTRATIVE OVERSIGHT
Department of State

Locations of BAIID Service Centers for LifeSafer Interlock
As of July 1, 2019

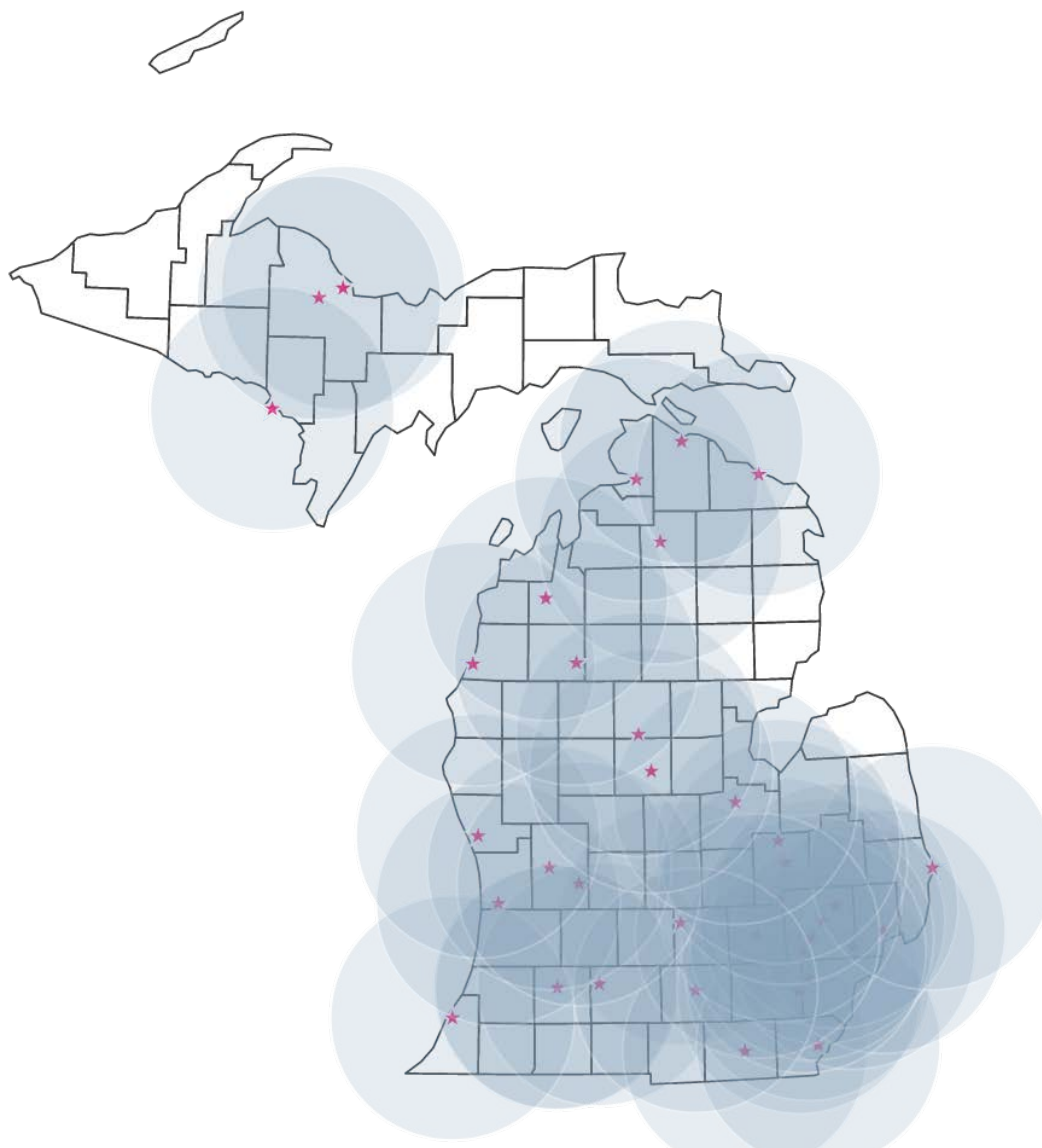


Note: Section 257.625k of the *Michigan Compiled Laws* requires a service center to be located within 50 miles from any location in the State. Each service center is marked with a star, and a circle drawn around each service center shows the 50-mile radius.

Source: The OAG prepared this exhibit using simplemaps.com. This exhibit is based on locations extracted from lifesafers.com.

OFFICE OF HEARINGS AND ADMINISTRATIVE OVERSIGHT
Department of State

Locations of BAID Service Centers for SmartStart
As of July 1, 2019



Note: Section 257.625k of the *Michigan Compiled Laws* requires a service center to be located within 50 miles from any location in the State. Each service center is marked with a star, and a circle drawn around each service center shows the 50-mile radius.

Source: The OAG prepared this exhibit using simplemaps.com. This exhibit is based on locations extracted from smartstartinc.com.

AGENCY DESCRIPTION

OHAO's mission is to regulate, investigate, interpret, and enforce laws and policy regarding the various regulatory and licensing functions of the Department of State and to provide for the safety of motorists by ensuring compliance with licensing controls and standards and establishing policies, programs, and interventions to reinforce the established standards. OHAO appoints hearing officers to conduct appeals from individuals who disagree with the Department's final licensing decisions, such as when licenses have been denied, suspended, or revoked. In addition, OHAO monitors the IIP that oversees individuals with a restricted license requiring a BAID while driving.

In fiscal year 2018, OHAO expended \$3.9 million. As of June 3, 2019, OHAO had 29 employees.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the documentation and procedures related to OHAO's oversight of IIP and processes for preparing and conducting driver's license appeals hearings. 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, analysis of agency responses, and quality assurance, generally covered January 1, 2017 through May 31, 2019.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of OHAO's processes and controls and to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed OHAO management and staff regarding their functions and responsibilities.
- Reviewed applicable State laws, regulations, and procedures.
- Analyzed OHAO expenditures for fiscal years 2017 and 2018 and fiscal year 2019 through May 31, 2019 to determine the types of expenditures incurred by OHAO.
- Observed two appeals hearings and two OHAO potential BAIID violation reviews to support understanding of the processes.
- Reviewed a judgmental sample of 5 appeals hearing cases prior to the February 2018 implementation of DAIS to determine the completeness of documentation.
- Analyzed appeals hearing data and reviewed a sample of 22 of 20,770 closed appeals hearings and 20 of 1,826 open appeals hearings after the February 2018 implementation of DAIS to determine the timeliness of review and the completeness of documentation.
- Reviewed the six State-approved BAIID manufacturers from January 1, 2017 through May 31, 2019 to ensure compliance with State laws.

* See glossary at end of report for definition.

- Reviewed a sample of 10 of 221 OHAO listed service centers to ensure compliance with State laws and the completeness of submitted documentation.
- Reviewed a sample of 11 of 18,626 BAID users with devices enrolled in IIS as of May 31, 2019 to determine the timeliness of required BAID servicing, the timeliness of potential violation review, and the accuracy of violation conclusions.
- Reviewed 5 of 8,782 BAID user potential violations for hard-copy support prior to the May 2017 implementation of IIS to determine the completeness of archived documentation.
- Reviewed DAIS and IIS access controls for compliance with DTMB user access requirements.

OBJECTIVE #1

To assess the sufficiency of OHAO's oversight of BAID manufacturers and service centers.

To accomplish this objective, we:

- Reviewed all application and liability documents provided to OHAO for all 6 BAID manufacturers that were approved from January 1, 2017 through May 31, 2019 to ensure compliance with State laws.
- Obtained OHAO's population of 221 service centers to compare with 209 service centers identified on the manufacturer public Web sites to ensure that all publicly listed service centers obtained appropriate State approval.
- Contacted 10 of 47 service centers publicly listed for a manufacturer that were not approved by OHAO for that manufacturer as of July 1, 2019 to determine if service centers were servicing BAIDs without required State approval. We randomly and judgmentally selected the sample to ensure sufficient audit coverage. Therefore, we could not project our results to the entire population.
- Measured the distance between service center locations for each manufacturer in the State to ensure compliance with Section 257.625k of the *Michigan Compiled Laws*, which requires the manufacturer to maintain a service center location within 50 miles of any location in the State or request a waiver when a location cannot be obtained.
- Randomly sampled 22 of 221 service centers from OHAO's approved service center list to ensure compliance with State law. We randomly selected 10 service centers during our preliminary survey and

12 service centers during our audit fieldwork for a combined random sample of 22 service centers. Our sample was randomly selected to eliminate any bias and to enable us to project the results to the entire population.

OBJECTIVE #2

To assess the effectiveness and efficiency of OHAO's oversight of IIP.

To accomplish this objective, we:

- Randomly and judgmentally sampled 43 of 18,626 BAID users from January 1, 2017 through May 31, 2019 to determine the timeliness of OHAO's review. We selected a random sample of 39 BAID users with recorded violations and a judgmental sample of 4 BAID users with no recorded violations to ensure sufficient audit coverage. Therefore, we could not project our results to the entire population. The sample population contained 171 potential BAID violations that occurred and were reviewed prior to May 31, 2019.
- Randomly sampled 5 of 32 active IIS user accounts as of June 19, 2019 and reviewed the users' security access forms to ensure compliance with the principle of least privilege. Our sample was randomly selected to eliminate any bias and to enable us to project the results to the entire population.
- Obtained 29 monthly reports from January 2017 through May 2019 that documented access changes to IIS and reviewed all users to ensure compliance with DTMB access control standards for automated audit actions.
- Randomly sampled 5 of 28 monthly IIS reports from February 2017 through May 2019 documenting inactive user accounts to ensure that accounts were automatically disabled when inactive for 60 days. Our sample was randomly selected to eliminate any bias and to enable us to project the results to the entire population.
- Reviewed 27 IIS accounts that required removal as of May 31, 2019 to ensure that OHAO removed IIS user access within 72 hours of termination from the position requiring access.

OBJECTIVE #3

To assess the sufficiency of OHAO's appeals hearing processes.

To accomplish this objective, we:

- Sampled 40 of 20,770 closed appeals hearing cases from February 1, 2018 through June 10, 2019 to ensure the timeliness and completeness of documentation. We randomly selected 22 cases during our preliminary survey and 18 cases during our audit fieldwork for a combined random sample of 40 closed appeals hearing cases. Our sample was randomly selected from varying populations to ensure sufficient audit coverage and, therefore, could not be projected to the respective populations.
- Sampled 40 of 1,826 open appeals hearing cases from February 1, 2018 through June 10, 2019 to determine case review timeliness. We randomly selected 20 cases during our preliminary survey and 20 cases during our audit fieldwork for a combined random sample of 40 open appeals hearing cases. Our sample was randomly selected to eliminate any bias and to enable us to project the results to the entire population.
- Reviewed State of Michigan data retention policies to determine if OHAO properly maintained hearing data throughout the transition from Informix to DAIS.
- Analyzed hearing request review timeliness trends to identify indications of improvement.

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

Our audit report contains 3 findings and 3 corresponding recommendations. The Department of State's preliminary response indicates that it agrees with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State

* See glossary at end of report for definition.

Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes supplemental information presented as Exhibits #1 through #6. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

Active Directory	Microsoft's directory service product that contains information for managing users and resources in a computer network.
breath alcohol ignition interlock device (BAIID)	An alcohol concentration measuring device that prevents a motor vehicle from being started at any time without first determining through a deep lung sample the operator's alcohol level, calibrated so that the motor vehicle cannot be started if the breath alcohol level of the operator, as measured by the test, reaches a level of 0.025 grams per 210 liters of breath.
Customer and Automotive Records System (CARS)	The system used to allow online services for vehicle owners and automotive-related businesses. CARS updates records in real time. Repair facilities and manufacturers use CARS to perform many business and professional licensing transactions online, including BAIID service center applications (beginning in 2019) and BAIID manufacturer recertification (beginning in 2020).
Driver Appeals Integrated System (DAIS)	The MILogin system used by OHAO staff to access driver's license appeal hearing information. DAIS is used mainly by the Appeal Support Unit for scheduling and documentation and by the hearing officers to review cases and enter determinations.
DTMB	Department of Technology, Management, and Budget.
effectiveness	Success in achieving mission and goals.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
Ignition Interlock Program (IIP)	The section of OHAO responsible for reviewing BAIID violations and overseeing BAIID manufacturers, service centers, and mechanics.
Ignition Interlock System (IIS)	The automated data management system used to review data related to potential BAIID violations and take driving record actions.
Informix	The hearing request case documentation system used by OHAO staff prior to February 2018.

major violation

Any of the following during a monitoring period:

1. Failing to take a random retest or taking a random retest that detects a bodily alcohol content (BAC) of .025 or higher, and there is no subsequent sample with a BAC less than .025 within 5 minutes.
2. Being arrested or convicted for drunk and/or drugged driving.
3. Tampering with the BAID.
4. Circumventing the BAID.
5. Committing three minor violations.
6. Removing the BAID without another device installed within seven days, unless the Department of State has authorized the removal.
7. Operating a vehicle without a properly installed BAID.

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.

minor violation

Either of the following during a monitoring period:

1. After the BAID has been installed for at least two months, the BAID records three start-up test failures.
2. The driver fails to report to the BAID installer for servicing within seven days after his or her scheduled service date.

National Institute of Standards and Technology (NIST)

An agency of the Technology Administration, U.S. Department of Commerce. NIST's Computer Security Division develops standards, security metrics, and minimum security requirements for federal programs.

OAG

Office of the Auditor General.

OHAO

Office of Hearings and Administrative Oversight.

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.
principle of least privilege	The practice of limiting access to the minimal level that will allow normal functioning. Applied to employees, the principle of least privilege translates to giving people the lowest level of user access rights that they can have and still do their jobs. The principle is also applied to things other than people, including programs and processes.
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.
service	Calibrate, maintain, or download data from a BAIID; inspect a BAIID for evidence of tampering or circumventing; or invalidate any override for the BAIID previously provided by the manufacturer, installer, or service provider to the driver or on behalf of the driver.
service center	A licensed automobile repair facility that is approved to install, remove, and service BAIIDs.
service date	The date that the service, as defined above, occurs.



Report Fraud/Waste/Abuse

Online: audgen.michigan.gov/report-fraud

Hotline: (517) 334-8060, Ext. 1650