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Office of the Auditor General

Report Summary

*Performance Audit
Business Compliance and Regulation
Division (BCRD)
Department of State*

Report Number:
231-0270-21

Released:
December 2022

BCRD's mission is to ensure licensee compliance with statutory requirements, deter fraudulent activity, and protect consumers through education, training, and appropriate administrative actions. BCRD licenses and regulates automotive-related businesses and mechanics including approximately 6,300 licensed vehicle dealers, 8,100 licensed repair facilities, and 30,400 certified mechanics. In fiscal year 2021, BCRD expended \$3.8 million. As of September 30, 2021, BCRD had 31 full-time employees.

Audit Objective			Conclusion
Objective 1: To assess the effectiveness of BCRD's efforts to license or certify selected automotive-related businesses and mechanics.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Michigan's dealer license plate fees are lowest among six Midwestern states and have not been revised since 2002 (<u>Observation 1</u>).	Not applicable for observations.		

Audit Objective			Conclusion
Objective 2: To assess the effectiveness of BCRD's efforts to regulate automotive-related businesses and mechanics.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
BCRD took over 180 days to close 46%, 44%, and 35% of cases for vehicle dealers, repair facilities, and mechanics, respectively. On average, cases with high or immediate action priority levels took BCRD 153 and 117 days to close, respectively (<u>Finding 1</u>).		X	Agrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
BCRD periodically used alternative penalty agreements (APAs), including additional training, in lieu of administrative hearings to foster compliance with the Michigan Vehicle Code. However, BCRD did not have procedures to ensure licensees completed training required in the APAs (<u>Finding 2</u>).		X	Agrees

Audit Objective			Conclusion
Objective 3: To assess the effectiveness of BCRD's oversight of the driver education and skills testing programs.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
BCRD could not ensure driver education instructor preparation programs and instructors utilized a Department-approved curriculum. In addition, 47%, 90%, and 78% of driver skills testing businesses, testing sites, and certified examiners, respectively, were not inspected or observed during our audit period (<u>Finding 3</u>).		X	Agrees

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