



# OAG

Office of the Auditor General

## Report Summary

### Performance Audit

**Report Number:**  
231-0200-14

### Motor Vehicle Title and Registration Process

### Department of State

**Released:**  
January 2015

The Department of State's responsibilities include administering and enforcing various sections within the Michigan Vehicle Code (Act 300, P.A. 1949, as amended) pertaining to the titling and registration of vehicles and the collection of related taxes and fees. The Department's mission is to deliver modern, efficient, cost-effective, and convenient service to the citizens of Michigan. The Department's executive officer, the Secretary of State, is an elected official who serves no more than two four-year terms.

Audit Objective			Audit Conclusion
Objective 1: To assess the effectiveness of the Department's efforts in collecting taxes and fees when processing motor vehicle title and registration transactions.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The Department did not always accurately prorate gross vehicle weight registration fees. We noted inconsistencies between the number of registered months recorded by the Department and our recalculation of registered months for 2,261 (14%) of the 15,846 registration transactions processed by the Department during April 2014. For 35 (70%) of 50 selected registration transactions from the 2,261 transactions, the Department overcharged or undercharged customers for the registration fees ( <a href="#">Finding 1</a> ).	X		Agrees
The Department, in conjunction with the Department of Treasury, needs to strengthen its procedures to verify the reasonableness of use tax collected for motor vehicle title transactions. We estimated that the State may have forgone between \$9.2 million and \$36.5 million per year in motor vehicle use tax, based on sample results ( <a href="#">Finding 2</a> ).		X	Partially agrees
The Department had not established a sufficient process to ensure the accuracy of new vehicle registration fee categories reported by dealers and manufacturers. The Department may have charged inaccurate registration fees to at least 18,363 and as many as 81,583 customers from May 2013 through April 2014, based on sample results ( <a href="#">Finding 3</a> ).		X	Partially agrees

<b>Audit Objective</b>			<b>Audit Conclusion</b>
Objective 2: To assess the effectiveness of the Department's efforts to ensure that motor vehicle registration applications were accompanied by proof of insurance.			Moderately effective
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
The Department did not verify the completeness of Electronic Insurance Verification (EIV) Program data, thereby limiting some customers from renewing vehicle registrations on-line or with self-service kiosks ( <u>Finding 4</u> ).		X	Agrees
The Department should investigate the feasibility and cost-effectiveness of implementing a Web-based insurance verification system to assist the Department in verifying proper insurance of motor vehicles in real time. A Web-based insurance verification system would also help reduce data integrity errors and protect the confidentiality of insurance information ( <u>Finding 5</u> ).		X	Disagrees

<b>Audit Objective</b>			<b>Audit Conclusion</b>
Objective 3: To assess the effectiveness of the Department's efforts in monitoring business entities participating in the Michigan Electronic Filing System (MiEFS) Program.			Moderately effective
<b>Finding Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
The Department did not sufficiently and timely monitor transactions and inquiries recorded by MiEFS Program participants. This resulted in potential errors to customer fees and access to confidential data ( <u>Finding 6</u> ).		X	Agrees

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>

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