

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

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.

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.