Office of the Auditor General
Performance Audit Report

Branch Operations Division
Department of State

May 2025

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

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

OAG
Office of the Auditor General

Performance Audit

Branch Operations Division (BOD)

Department of State

Report Number:
231-0333-24

Released:
May 2025

BOD provides in-person services at 131 branch offices within 9 districts in the State. BOD processes transactions related to vehicle, snowmobile, and watercraft registrations; vehicle related permits; driver's licenses; personal identification cards; motor vehicle and watercraft titles; and voter registrations. It also administers tests for various licenses and certifications. Between October 1, 2022 and May 31, 2024, branch offices expended $136.0 million, collected $1.3 billion in revenue, and completed an estimated 11.8 million branch office transactions. BOD employed approximately 840 employees as of May 31, 2024.

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of BOD's efforts to provide efficient and convenient customer service activities at its branch offices.			Sufficient, with exceptions
Findings Related to This Audit Objective	**Material Condition**	**Reportable Condition**	**Agency Preliminary Response**
BOD could improve in-person customer service by collecting and analyzing customer service information, such as wait time data, to better detect and address common issues and best practices (Finding 1).		X	Agrees

Audit Objective			Conclusion
Objective 2: To assess the effectiveness of BOD's efforts to properly safeguard assets.			Effective
Findings Related to This Audit Objective	**Material Condition**	**Reportable Condition**	**Agency Preliminary Response**
None reported.	Not applicable.		

Audit Objective	Conclusion
Objective 3: To assess the effectiveness of BOD's efforts to comply with selected State and federal requirements.	Moderately effective

Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
BOD could not show compliance with the federal REAL ID Act as BOD did not maintain federally required documentation to support issuance of 6 (50%) of 12 REAL IDs and enhanced licenses reviewed (Finding 2).		X	Agrees
BOD did not ensure branch offices properly administered knowledge tests designed to measure the test taker's understanding of concepts needed to safely operate and maintain vehicles (Finding 3).		X	Partially agrees
BOD could not validate 55 (14%) of 398 trainings assigned to branch office employees encompassing topics such as enhancing employee skills, supporting workplace safety, and improving workplace culture were completed as required (Finding 4).		X	Disagrees

May 1, 2025

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

Secretary Benson:

This is our performance audit report on the Branch Operations Division, 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

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BRANCH OPERATIONS DIVISION

AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

PROVIDING BRANCH OFFICE CUSTOMER SERVICE

BACKGROUND

The Branch Operations Division (BOD) operates 131 branch offices within 9 districts, with at least 1 branch office providing in-person services in each of Michigan's 83 counties (see Exhibit 1).

BOD processes transactions for the following types of services at a branch office (see Exhibit 2):

- Vehicle, snowmobile, and watercraft registrations.

- Motor vehicle and watercraft titles.

- Vehicle-related permits.

- Disability parking placards.

- Driver's licenses.

- Personal identification cards.

- Tests administered for various licenses and certifications.

- Voter registrations.

Many of these transactions can be completed through the United States Postal Service (USPS) mail, self-service kiosks, mobile offices, or the Department of State (DOS) website. For customers who choose to or have to visit a branch office, DOS implemented FAST Queuing* (FASTQ), which allows customers to schedule in-person appointments with a branch office through DOS's e-Services portal*. With scheduled appointments, DOS believes it can serve customers more effectively and efficiently and maximize productivity. In addition, when customers schedule office visits online, the website provides a list of documents to bring to the branch office based on the type of transaction(s), with the goal of reducing the number of branch office visits by the customer. Customers may schedule visits on the DOS website at michigan.gov/sos using the following steps:

Select "Schedule a Visit" → Select a "Category" → Select a "Service" → Review "Required Documents" → Select a "Location" → Select a "Date and Time" → Book a "Visit"

Customers may walk into a branch office without an appointment; however, their wait time may be longer than if they scheduled an appointment. If no customers are waiting when the walk-in customer arrives, branch office employees will enter the customer

See glossary at end of report for definition.

directly into the schedule and provide services at that time. If there is a wait, BOD may invite customers to wait until the next available appointment, return later the same day when there is an open appointment time, or schedule an appointment for another location or date. Between October 1, 2022 and May 31, 2024, branch office employees completed transactions for 7.0 million customers, which included 4.5 million customers with pre-scheduled visits and 2.5 million walk-in customers (see Exhibit 3).

To help increase customer satisfaction, BOD implemented the following:

- Greeter employees for busier branch offices to assist and direct customers when they enter the branch office.

- Office visit-related time stamp data, including customer check-in time, visit start, and visit completion to create a method to analyze branch activity.

- Quality of work tracking tools for each branch office staff member to ensure any errors are reviewed and used as a coaching tool.

- District manager site visits to branch offices to oversee branch office compliance with DOS policies.

- Customer service comments submitted through the DOS website to gain insight into customer satisfaction.

AUDIT OBJECTIVE

To assess the sufficiency of BOD's efforts to provide efficient and convenient customer service activities at its branch offices.

CONCLUSION

Sufficient, with exceptions.

FACTORS IMPACTING CONCLUSION

- Same day appointments were available on the DOS website for 87% of branch offices in our review of the next appointment scheduled-visit times as of April 18, 2024 at approximately 7:00 a.m.

- Of the 235 branch office employee survey respondents, 96% rated the customer service the branch office provides as excellent, very good, or good (see Exhibit 4, question 6).

- Branch office managers utilized quality of work tracking spreadsheets to record any potential errors in staff performance and provide feedback to improve their overall efficiency* and quality of output, which ultimately helps improve customer service.

See glossary at end of report for definition.

- BOD obtains customer comments through the DOS website to gain insight into the customers' experiences, needs, and expectations, allowing BOD to improve its service and customer experience. From October 2022 through May 2024, 42% of the customer comments indicated positive feedback regarding customer experience, such as improved efficiency of services provided to customers with scheduled visits.

- Reportable condition* related to collecting and utilizing customer service information (Finding 1).

See glossary at end of report for definition.

FINDING 1

Improvement in collecting and utilizing customer service information recommended.

BOD should strengthen its efforts for collecting and utilizing customer service information such as wait time data or customer feedback. The increased information could enhance BOD's ability to better detect and address common issues and best practices, thereby improving in-person branch operations for approximately 350,000 customers branch offices serve monthly.

DOS policy 248 indicates employees should provide prompt, courteous, accurate, and efficient customer service. In addition, the State of Michigan Financial Management Guide (FMG) (Part VII, Chapter 1, Section 200) requires management to use quality information to support its internal control* system. The FMG further defines quality information as being complete, accurate, available and accessible, and sufficient.

We observed branch office data collection procedures for a sample of 13 of 131 branch offices, analyzed Customer and Automotive Records System* (CARS) customer data, and reviewed customer comments. Our review noted:

a. BOD did not consistently record wait time data for customers who did not have a scheduled visit. For example, we observed at one branch office wait time started upon customer arrival while at another branch office wait time started when the branch office employee called a customer for service. Therefore, wait time data would not always include the time the customer waited in the lobby prior to receiving service.

    BOD informed us branch offices utilized different processes, such as availability and use of greeters, based on the operational needs of each branch.

b. BOD could utilize additional feedback methods to increase convenient access for customer comments, including the use of quick-response (QR) codes at branch offices as a link in the messages received from the appointment system, an electronic link to complete an after-visit survey, and comment cards. BOD received 693 comments between October 1, 2022 and May 31, 2024, representing less than one-half of one percent of 7.0 million customers served for the same time period.

    BOD informed us its process to obtain branch office customer service feedback is to, upon request, provide customers with the website or the phone number for the DOS call center.

RECOMMENDATION

We recommend BOD strengthen its efforts to collect and utilize customer service information.

* See glossary at end of report for definition.

AGENCY PRELIMINARY RESPONSE

DOS provided us with the following response:

BOD agrees with the recommendation.

Wait time data is tracked in the CARS/FASTQ system. Branch offices that have permanent greeters utilize a process of customer check-ins and have consistent data. Offices without a permanent greeter check customers in upon their arrival to the counter. The difference in process is due to the operational need for offices with a smaller employee and customer base. Wait times for both customers with scheduled visits and those walking in have vastly improved due to the appointment-based operational model. BOD will continue to partner with the Office of Continuous Improvement and Transformation (OCIT) to track and monitor wait time data.

MDOS is in the process of developing a system to obtain customer feedback and are waiting on approval of a contract with Qualtrics. The goal is to survey customers via text or email after their branch visit if allowable by the system. MDOS has been diligently working to deploy a customer feedback system. The delay has been in part waiting for software MDOS could use and for software that could provide the best data. MDOS will continue to pursue this initiative to better obtain customer feedback.

SAFEGUARDING BRANCH OFFICE ASSETS

BACKGROUND

BOD is responsible for safeguarding cash receipts and serialized inventories, which includes license plates, vehicle titles, registration renewal tabs, and disability placards.

AUDIT OBJECTIVE

To assess the effectiveness* of BOD's efforts to properly safeguard assets.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- Branch office bank deposits reconciled with the bank statements and CARS for all 40 deposit records reviewed.

- Branch office staff properly filled out deposit tickets and made deposits into standard and smart safes at the 13 branch offices visited.

- Branch office staff reconciled the daily inventory items, such as license plates, registration renewal tabs, and disability permits at the 13 branch offices visited.

- Branch office managers reviewed end-of-day (EOD) reports for cash activities, inventory management, and canceled activities at the 13 branch offices visited.

- Branch office managers consistently reviewed the 40 sampled branch office reports for cash activities and inventory management.

* See glossary at end of report for definition.

COMPLIANCE WITH SELECTED STATE AND FEDERAL REQUIREMENTS

BACKGROUND

BOD is required to comply with sections of the Michigan Vehicle Code (Public Act 300 of 1949, as amended, Sections 257.1 - 257.923 of the *Michigan Compiled Laws*); the Enhanced Driver License and Enhanced Official State Personal Identification Card Act, Public Act 23 of 2008 (Sections 28.301 - 28.308 of the *Michigan Compiled Laws*); the Natural Resources and Environmental Protection Act (Public Act 451 of 1994, as amended, Sections 324.101 - 324.90106 of the *Michigan Compiled Laws*); Title 6, Part 37, Subpart B of the *Code of Federal Regulations** (*CFR*); and federal regulation 49 *CFR* 384. The requirements provide guidance over:

- Registrations for motor vehicles, snowmobiles, and watercraft and vehicle-related permits.
- Driver's licenses and personal identification applications.
- Motor vehicle and watercraft titles.
- Voter registrations.
- Tests administered for various licenses and certifications.

Also, DOS developed policies and procedures to provide requirements and guidance for the management of the branch offices to oversee the following knowledge tests:

- Chauffeur's license.
- Commercial driver's license endorsement.
- Commercial driver's license.
- First-time Michigan driver's license or permit.
- Hazardous materials endorsement.
- Mechanic license.
- Motorcycle endorsement.
- Recreational vehicle endorsement.

Branch office employees undergo an extensive training program:

- Newly hired employees complete a series of 205 mandatory training modules, including:
  - CARS navigation.
  - Payment receipting.
  - License and identification card issuance.
  - Customer account management.
  - Customer service.

* See glossary at end of report for definition.

o Safety.

o Confidentiality.

o Fraud detection.

- Existing employees complete general and/or job specific training periodically or as deemed necessary.

AUDIT OBJECTIVE

To assess the effectiveness of BOD's efforts to comply with selected State and federal requirements.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- Management ensured the completion of required daily reports for missing supporting images.

- BOD established branch oversight tools such as district manager monthly or bimonthly branch office site visits and daily transaction review.

- Branch office district managers completed over 99% of required branch office site visits based on our review of site visit checklists.

- BOD operated branch offices in each of Michigan's 83 counties.

- BOD's training program meets industry standards. In addition, training programs offered by BOD cover a wide range of topics, including customer service, money management, information security, and safety.

- Of 22 newly hired employees, 21 (96%) completed all new hire training modules prior to receiving access to CARS to process transactions.

- Of the 235 branch office employee survey respondents, 85% rated their level of satisfaction with the training provided by the branch offices as very satisfied, mostly satisfied, or satisfied (see Exhibit 4, question 11).

- For all disability placard applications reviewed, BOD verified the required approval, as applicable, from an appropriate medical professional to support the issuance of the placard.

- Three reportable conditions related to REAL ID documentation (Finding 2), testing area oversight (Finding 3), and ongoing employee training (Finding 4).

FINDING 2

Improved REAL ID-compliant documentation needed.

BOD did not always maintain documentation to support it complied with the applicable REAL ID and enhanced driver's license and identification card security requirements.

The federal REAL ID Act of 2005 established minimum security standards for state-issued driver's licenses and identification cards. Beginning May 7, 2025, individuals 18 years and older will need to present a REAL ID-compliant driver's license or identification card to board domestic flights. A state-issued enhanced driver's license and identification card is acceptable when traveling by land or sea from certain countries into the United States and meets the standards as a REAL ID-compliant document when traveling domestically by plane.

Federal regulations 6 *CFR* 37.11 and 6 *CFR* 37.31 require individuals applying for a REAL ID driver's license or identification card to present documents proving their social security number (SSN) and residency. State agencies must retain paper copies or images of these source documents for a minimum of 7 years and 10 years, respectively. Also, *Federal Register* 87:209 (31 Oct. 2022) p. 65604 indicates states would be unable to comply with REAL ID requirements without maintaining this documentation.

According to the U.S. Department of Homeland Security, secure driver's licenses and identification documents are a vital component of the United States' national security framework. Law enforcement relies on state-issued identification documents to help ensure bearers of such a document are who they claim to be. REAL ID is a coordinated effort by the states and federal government to improve the reliability and accuracy of state-issued identification documents.

We randomly sampled 60 branch office transactions, of which 12 related to REAL ID-compliant (REAL ID and enhanced) transactions. Our review noted BOD did not maintain documentation to support 6 (50%) of the 12 REAL ID-compliant transactions. Specifically, we noted:

	REAL ID	Enhanced
Number of REAL ID-compliant transactions reviewed	9	3
Number (percent) of transactions with missing copy of applicants' proof of SSN.	4 (44%)	2 (67%)
Number (percent) of transactions with missing copy of applicants' proof of residence address.	3 (33%)	2 (67%)

BOD relied on branch office employees to verify support before processing the transaction and instructed employees to limit scanning documentation containing SSNs to the extent possible.

RECOMMENDATION	We recommend BOD maintain documentation to help ensure it complies with applicable REAL ID and enhanced driver's license and identification card security requirements.
AGENCY PRELIMINARY RESPONSE	DOS agrees with the recommendation. Given the length of DOS's preliminary response, the response and our auditor's comments to agency preliminary response* for Finding 2 are presented on page 34.

See glossary at end of report for definition.

FINDING 3

Improved oversight of testing area monitoring needed.

BOD should improve its oversight of branch office compliance with monitoring policies in testing areas. Improved oversight will help ensure branch offices appropriately administer the knowledge tests designed to measure the test taker's understanding of concepts needed to safely operate and maintain vehicles.

DOS policy requires the branch offices to communicate to the test taker prohibited activities in the testing area such as communicating with another person except for the necessary conversation with an interpreter, wearing hats or hoodies covering the ears, and utilizing study materials, notes, and any forms of electronic devices. Also, policy requires electronic devices to be turned off during testing and personal items placed beneath the testing station or chair. In addition, policy requires branch office managers and staff to develop a plan to monitor the testing area and, when necessary, staff should terminate the test for a suspected violation of DOS's testing policy.

We conducted site visits at 13 branch offices and, although branch office staff are required to inform customers of the testing policies and expect customers to adhere to the requirements, we noted:

    a. At 11 branch offices, employees did not always ensure test takers placed personal belongings, including electronic devices, papers, and bags, beneath the testing station or chair during testing.

    b. At 4 branch offices, employees did not always identify test takers' use of electronic devices during testing, including the swiping of a cell phone or smartwatch and using an earbud.

    c. At 2 branch offices, employees did not always identify test takers communicating with another person during the test.

BOD's district manager oversight tool did not include a review of branch office specific testing area monitoring plans and the branch office implementation of the plans. In addition, 72 (31%) of 231 survey respondents indicated they had not received training on how to monitor the branch office's testing area (see Exhibit 4, question 15).

RECOMMENDATION

We recommend BOD improve its oversight of branch office compliance with monitoring policies in testing areas.

AGENCY PRELIMINARY RESPONSE

DOS provided us with the following response:

BOD partially agrees with the recommendation.

To improve oversight, BOD will add a work item to the District Manager Checklist to include observation of the testing area

during office visits by District Managers. BOD will schedule testing oversight training to be completed during branch dedicated training time. BOD can also review physical plant spaces to better accommodate the storage of belongings found in Item a. Additionally, Know to Drive Online (K2DO) will be launching in the near future in which customers may be able to take operator tests from home. While BOD can work to improve oversight for testing at branch offices, staff take the proper measures to ensure testing policies are being followed to the most reasonable extent, with the understanding that some quick actions taken by customers such as a swipe of a watch will not always be possible to observe.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE

BOD partially agrees with the recommendation, while it also indicates it plans to implement corrective actions and does not state disagreement with any facts in the finding.

We considered the agency response and based on our comments above, the finding stands as written.

FINDING 4

Improved documentation and monitoring of ongoing employee training needed.

BOD should improve its documentation and monitoring of ongoing employee training to ensure employees receive the training needed to enhance skills, support workplace safety, and improve workplace culture.

The DOS Employee Handbook and DOS policy require employees to complete periodic training and the DOS training manager to track and maintain the training records.

We reviewed training records for a sample of 39 of 935 branch office employees active at any time between October 1, 2022 and April 27, 2024. Our review disclosed BOD did not maintain documentation to support completion of 55 (14%) of 398 required training sessions.

BOD informed us in some instances it was unable to locate some of the training records and in other instances, it faced challenges in providing supporting documentation due to system limitations, including the inability to access training records for terminated employees and the State of Michigan Learning Center (SOMLC) overwriting training records. In addition, DOS did not have a training manager from October 2022 through October 2023.

RECOMMENDATION

We recommend BOD improve its documentation and monitoring of ongoing employee training.

AGENCY PRELIMINARY RESPONSE

DOS provided us with the following response:

BOD disagrees with the recommendation.

While BOD acknowledges there are limitations within the State of Michigan Learning Center (SOMLC) system that have impacted the integrity of training records, those limitations should not result in an audit finding for MDOS because the system is owned by MCSC. Instead, MDOS requests OAG to characterize this as an IT audit finding on SOMLC and task remediation at the statewide level given its impact on all SOM departments. SOMLC is the enterprise solution that all SOM departments are required to use for their training administration. As such, all SOM departments have inherited the same risks to training record integrity caused by the same system limitations.

While the SOMLC deficiencies are addressed, MDOS disagrees with the need to maintain training records outside the system as a compensating control. Doing so creates waste in terms of time and resources among MDOS staff for an issue that is not an MDOS responsibility. Instead, MDOS will continue using SOMLC for its training administration as required.

The MDOS Office of Human Resources will request additional documentation and guidance from MCSC on the administrative roles for which MDOS is responsible within the SOM Learning Center. This approach will enhance MDOS knowledge on system

capabilities and clarify the situations where MCSC intervention is needed.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE

The recommendation is appropriately addressed to DOS and its need to implement compensating controls to fill in where the system used to track records is lacking. DOS cannot delegate its responsibility to track and maintain training records of its employees to another agency simply based on the ownership of the system. Agency compensating controls are not the responsibility of the IT system or system owner.

It is unclear why DOS believes it is a "waste" to track this information outside the system when the system is not tracking it. It is also unclear why DOS disagrees with the recommendation yet indicates it will work with the Michigan Civil Service Commission (MCSC) to clarify system capabilities and determine where intervention is needed.

We considered the agency response and based on our comments above, the finding stands as written.

SUPPLEMENTAL INFORMATION

BRANCH OPERATIONS DIVISION
Department of State

Map of Branch Office Locations by District
As of March 5, 2024

Branch Office Locations

- ○ District 1
- ● District 2
- ● District 3
- ● District 4
- ○ District 5
- ● District 6
- ● District 7
- ○ District 8
- ● District 9
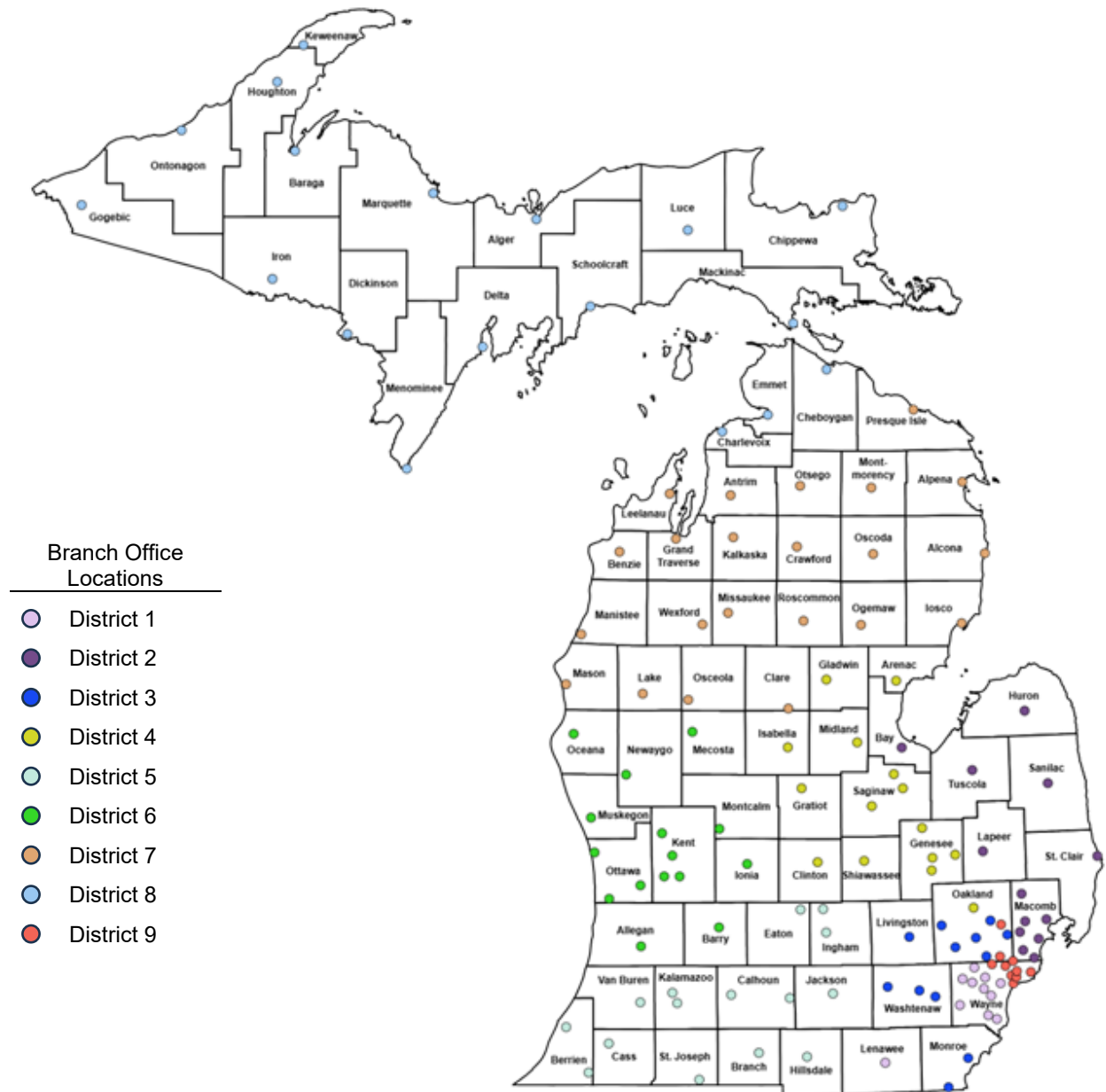
To view the interactive map, use this link:
https://audgen.michigan.gov/231-0333-24-map-branch-office-locations/

Source: The OAG prepared this exhibit based on branch office address and district information
           provided by BOD.

BRANCH OPERATIONS DIVISION
Department of State

List of Branch Office Locations by District Number
As of March 5, 2024

Branch Office (Township, City, or Village)

District			
1	• Adrian • Belleville • Brownstown • Canton	• Dearborn • Inkster • Livonia • Redford	• Taylor • Trenton • Westland
2	• Bad Axe • Bay City • Caro • Chesterfield Township • Clinton Township	• Eastpointe • Lapeer • Port Huron • Romeo • Sandusky	• Shelby Township • Sterling Heights • Warren
3	• Ann Arbor - North Maple Road • Chelsea • Highland • Howell	• Monroe • Novi • Pontiac • Southfield	• Temperance • Troy • West Bloomfield • Ypsilanti
4	• Alma • Clarkston • Clio • Davison • Flint - East 3rd Street	• Flint - Fenton Road • Gladwin • Midland • Mt. Pleasant • Owosso	• Saginaw - Bay Road • Saginaw - Dixie Highway • St. Charles • St. Johns • Standish
5	• Albion • Battle Creek • Benton Harbor • Coldwater • Dowagiac	• Hillsdale • Jackson • Kalamazoo • Lansing - East Michigan Avenue • Lansing - Executive Court	• Mason • Niles • Paw Paw • Portage • Sturgis
6	• Allegan • Big Rapids • Fremont • Grand Haven • Grand Rapids - 28th Street	• Grand Rapids - Plainfield Avenue • Greenville • Hart • Hastings • Holland	• Hudsonville • Ionia • Muskegon • Sparta • Wyoming
7	• Alpena • Atlanta • Baldwin • Bellaire • Cadillac • Clare • East Tawas • Gaylord	• Grayling • Harrisville • Honor • Kalkaska • Lake City • Ludington • Manistee • Mio	• Prudenville • Reed City • Rogers City • Suttons Bay • Traverse City • West Branch

This exhibit continued on next page.

Branch Office (Township, City, or Village)

District 8			
	• Bessemer	• Iron River	• Munising
	• Charlevoix	• L'Anse	• Newberry
	• Cheboygan	• Manistique	• Ontonagon
	• Escanaba	• Marquette	• Petoskey
	• Houghton	• Menominee	• Sault Ste. Marie
	• Iron Mountain	• Mohawk	• St. Ignace

District 9			
	• Detroit - Bagley Street	• Detroit - West Grand Boulevard	• Oak Park
	• Detroit - East Warren Avenue	• Detroit - West Seven Mile Road	• Rochester Hills
	• Detroit - Livernois Avenue	• Hamtramck	
	• Detroit - Mack Avenue	• Hazel Park	

Source: The OAG prepared this exhibit based on branch office address and district information provided by BOD.

BRANCH OPERATIONS DIVISION
Department of State

Branch Office Transactions Processed by Type
From October 1, 2022 Through May 31, 2024

Vehicle[1]
7,287,351 (62%)

Driver[2]
3,066,600 (26%)

Testing[3]
610,724 (5%)

Disability Placard[5]
381,133 (3%)

Miscellaneous[4]
485,918 (4%)
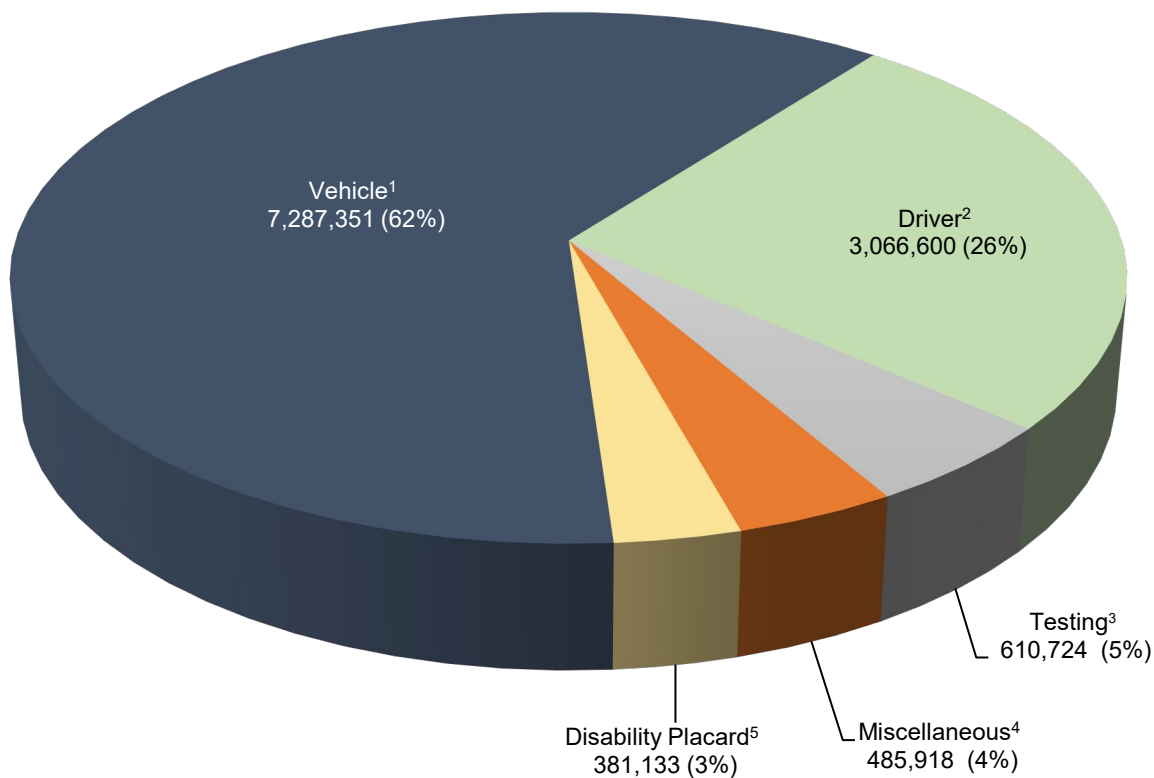
[1] Motor vehicle, snowmobile, and watercraft registrations; titles; and vehicle-related permits.

[2] Driver's licenses and personal identification transactions.

[3] Tests administered at the branch offices.

[4] Voter registrations, new customer accounts, branch office hours, and document authentication.

[5] Disability placards issued, renewed, replaced, and canceled.

Source: The OAG prepared this exhibit based on data provided by BOD.

BRANCH OPERATIONS DIVISION
Department of State

Number of Walk-In Customers Compared With the Number of Customers by District
Between October 1, 2022 and May 31, 2024

District Number	District Name	Number of Customers	Number (Percent) of Walk-In Customers	
1	Southeast Michigan	876,866	188,982	(22%)
2	Thumb Region	951,866	340,211	(36%)
3	Metro Detroit	858,223	261,337	(30%)
4	Mideast Michigan	856,643	402,057	(47%)
5	Southwest Michigan	917,990	317,578	(35%)
6	Midwest Michigan	1,028,971	353,261	(34%)
7	Northern Lower Peninsula	517,858	265,507	(51%)
8	Upper Peninsula	365,725	232,541	(64%)
9	Detroit	614,920	157,764	(26%)
	Statewide Total	6,989,062	2,519,238	(36%)

Source: The OAG prepared this exhibit based on data extracted from CARS.

BRANCH OPERATIONS DIVISION
Department of State

Branch Office Employee Survey Results
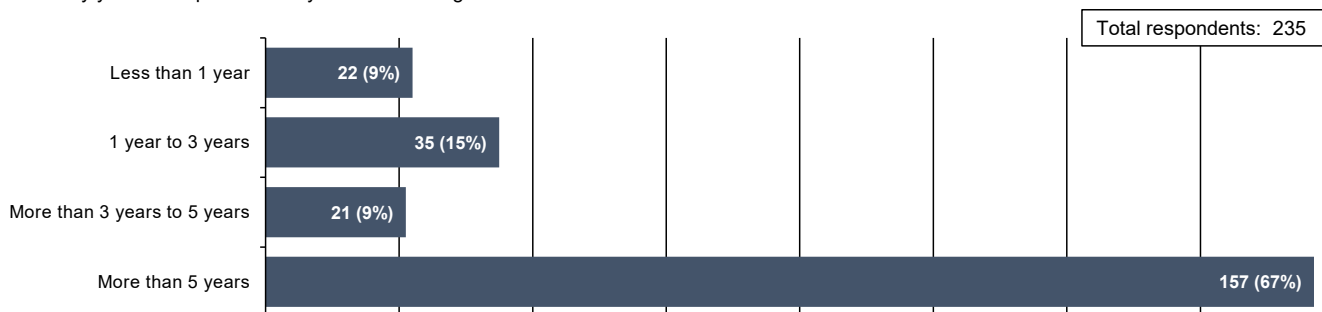Responses Received July 22, 2024 Through August 2, 2024

Informational Questions

1. Please select your official workstation (branch office).

I prefer not to answer.	10 (4%)	Fremont #302	2 (1%)	Munising #389	0 (0%)
Adrian #100	0 (0%)	Gaylord #369	1 (0%)	Muskegon #244	6 (3%)
Albion #219	1 (0%)	Gladwin #349	0 (0%)	Newberry #379	0 (0%)
Allegan #258	1 (0%)	Grand Haven #257	2 (1%)	Niles #207	3 (1%)
Alma #237	3 (1%)	Grand Rapids - 28th Street #263	5 (2%)	Novi #121	1 (0%)
Alpena #364	1 (0%)	Grand Rapids - Plainfield Avenue #261	1 (0%)	Oak Park #142	0 (0%)
Ann Arbor - North Maple Road #109	5 (2%)	Grayling #350	0 (0%)	Ontonagon #391	1 (0%)
Atlanta #365	0 (0%)	Greenville #239	3 (1%)	Owosso #290	1 (0%)
Bad Axe #275	2 (1%)	Hamtramck #151	1 (0%)	Paw Paw #203	2 (1%)
Baldwin #332	0 (0%)	Harrisville #351	0 (0%)	Petoskey #371	1 (0%)
Battle Creek #216	2 (1%)	Hart #342	3 (1%)	Pontiac #181	2 (1%)
Bay County #296	2 (1%)	Hastings #259	4 (2%)	Port Huron #163	4 (2%)
Bellaire #310	0 (0%)	Hazel Park #153	1 (0%)	Portage #202	0 (0%)
Belleville #111	2 (1%)	Highland #182	4 (2%)	Prudenville #358	1 (0%)
Benton Harbor #208	2 (1%)	Hillsdale #224	4 (2%)	Redford #117	2 (1%)
Bessemer #380	0 (0%)	Holland #256	0 (0%)	Reed City #335	1 (0%)
Big Rapids #301	1 (0%)	Honor #333	1 (0%)	Rochester Hills #168	3 (1%)
Brownstown #125	2 (1%)	Houghton #382	3 (1%)	Rogers City #372	0 (0%)
Cadillac #334	4 (2%)	Howell #230	0 (0%)	Romeo #170	1 (0%)
Canton #128	3 (1%)	Hudsonville #255	3 (1%)	Saginaw - Bay Road #279	7 (3%)
Caro #293	3 (1%)	Inkster #101	1 (0%)	Saginaw - Dixie Highway #288	2 (1%)
Charlevoix #367	2 (1%)	Ionia #268	3 (1%)	Sandusky #291	0 (0%)
Cheboygan #368	1 (0%)	Iron Mountain #383	2 (1%)	Sault Ste. Marie #374	2 (1%)
Chelsea #112	0 (0%)	Iron River #384	1 (0%)	Shelby Township #164	5 (2%)
Chesterfield Township #171	5 (2%)	Jackson #220	1 (0%)	Southfield #143	1 (0%)
Clare #331	0 (0%)	Kalamazoo #201	3 (1%)	Sparta #247	2 (1%)
Clarkston #189	0 (0%)	Kalkaska #336	2 (1%)	St. Ignace #373	1 (0%)
Clinton Township #166	0 (0%)	Lake City #337	1 (0%)	St. Charles #286	0 (0%)
Clio #187	0 (0%)	L'Anse #385	1 (0%)	St. Johns #270	1 (0%)
Coldwater #223	2 (1%)	Lansing - East Michigan Avenue #228	1 (0%)	Standish #355	1 (0%)
Davison #185	3 (1%)	Lansing - Executive Court #226	3 (1%)	Sterling Heights #169	0 (0%)
Dearborn #144	2 (1%)	Lapeer #176	2 (1%)	Sturgis #205	0 (0%)
Detroit - Bagley Street #138	0 (0%)	Livonia #120	5 (2%)	Suttons Bay #340	0 (0%)
Detroit - East Warren Avenue #137	2 (1%)	Ludington #338	2 (1%)	Taylor #141	0 (0%)
Detroit - Livernois Avenue #133	0 (0%)	Manistee #339	1 (0%)	Temperance #116	2 (1%)
Detroit - Mack Avenue #154	0 (0%)	Manistique #386	1 (0%)	Traverse City #341	4 (2%)
Detroit - West Grand Boulevard #157	1 (0%)	Marquette #387	2 (1%)	Trenton #110	2 (1%)
Detroit - West Seven Mile Road #135	1 (0%)	Mason #229	1 (0%)	Troy #175	3 (1%)
Dowagiac #206	4 (2%)	Menominee #388	1 (0%)	Warren #158	2 (1%)
East Tawas #356	2 (1%)	Midland #254	3 (1%)	West Bloomfield #131	0 (0%)
Eastpointe #162	1 (0%)	Mio #363	1 (0%)	West Branch #357	4 (2%)
Escanaba #381	2 (1%)	Mohawk #392	0 (0%)	Westland #118	1 (0%)
Flint - East 3rd Street #195	1 (0%)	Monroe #115	1 (0%)	Wyoming #273	6 (3%)
Flint - Fenton Road #194	3 (1%)	Mt. Pleasant #243	3 (1%)	Ypsilanti #113	4 (2%)

Total respondents: 235

This exhibit continued on next page.

2. How many years of experience do you have working in a branch office?

Total respondents: 235

Category	Value
Less than 1 year	22 (9%)
1 year to 3 years	35 (15%)
More than 3 years to 5 years	21 (9%)
More than 5 years	157 (67%)

3. Which of the following best describes your job title?

Total respondents: 235
Respondents who provided responses: 3

The most common responses included:
• Lead worker.
• Department of State aide E9 lead worker.

Category	Value
Branch office manager	75 (32%)
Relief manager	20 (9%)
Manager trainee	9 (4%)
Department of State aide	128 (54%)
Other (please explain)	3 (1%)
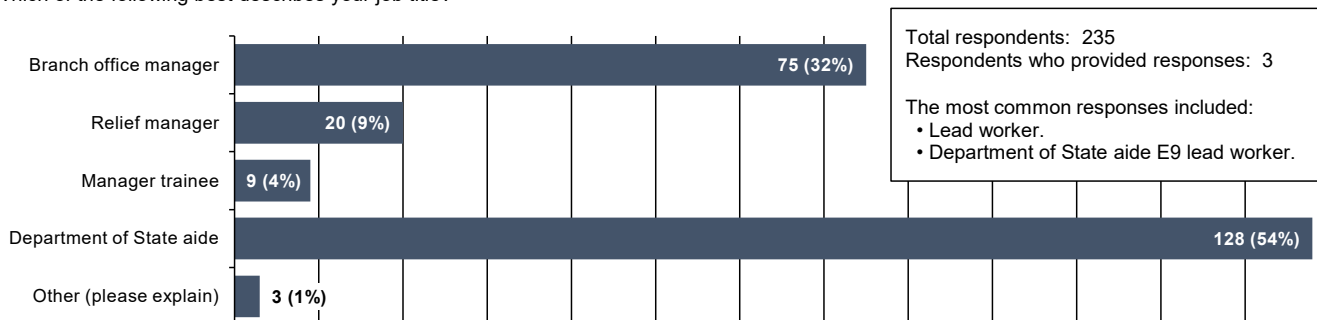
4. How many years of experience do you have in your current job title?

Total respondents: 235

Category	Value
Less than 1 year	31 (13%)
1 year to 3 years	55 (23%)
More than 3 years to 5 years	21 (9%)
More than 5 years	128 (55%)
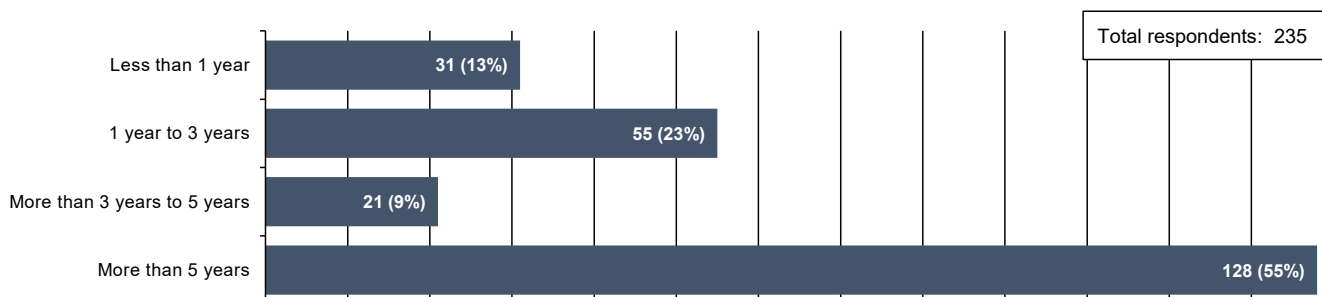
5. Does your branch office utilize a greeter laptop?

Total respondents: 235

No 128 (54%)
Yes 107 (46%)
I do not know. 0 (0%)
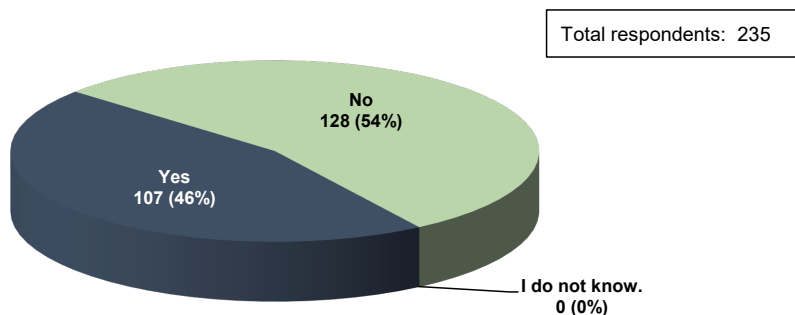
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Customer Service Questions

6. How would you rate the customer service your branch office provides to its customers? (Please explain.)

Rating	Count (%)
Excellent	86 (37%)
Very good	106 (45%)
Good	33 (14%)
Fair	8 (3%)
Poor	1 (0%)
Very poor	1 (0%)

Total respondents: 235
Respondents who provided responses: 102

The most common responses included:
• We provide exceptional customer service.
• We do our best.
• We have negative staff.
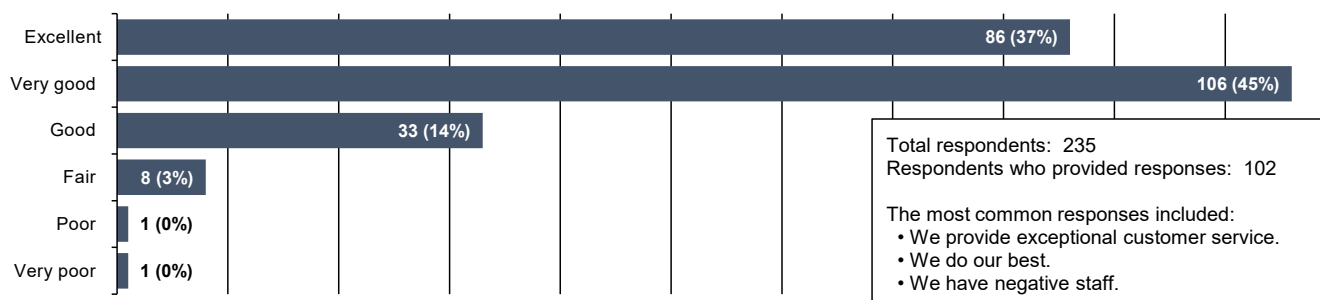
7. My branch office has an adequate level of staffing to provide satisfactory customer service to its customers.
   (Please indicate and explain your level of agreement.)

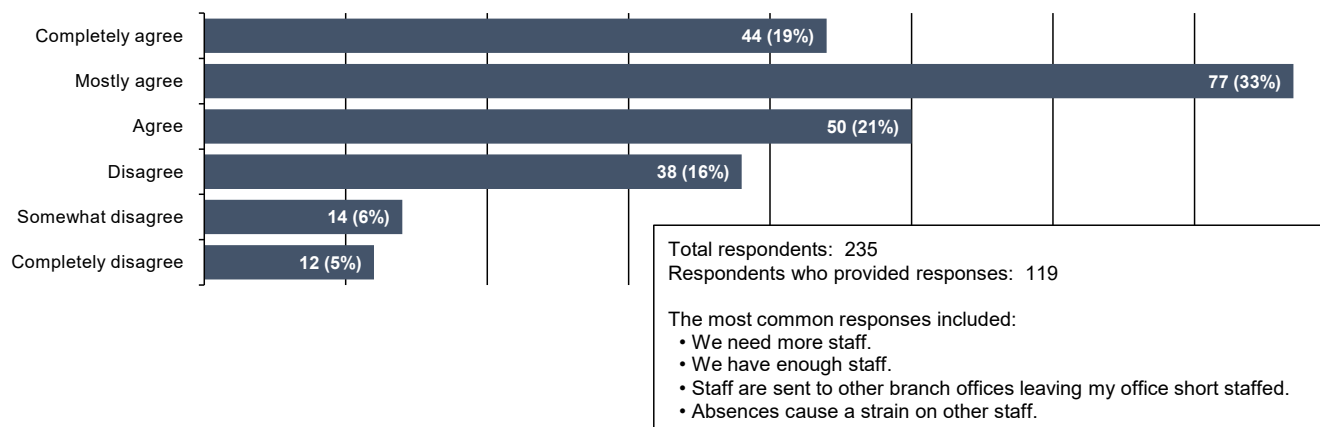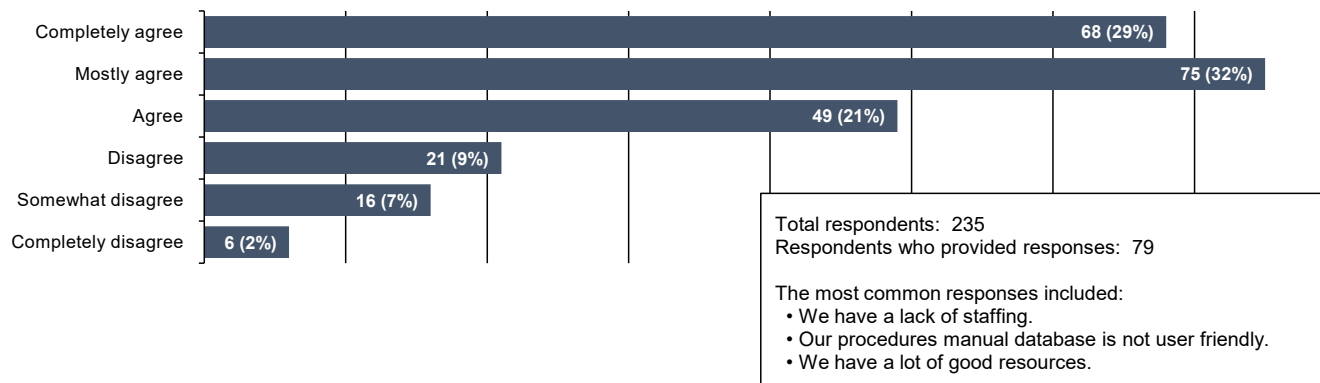| Level of agreement	Count (%)
Completely agree	44 (19%)
Mostly agree	77 (33%)
Agree	50 (21%)
Disagree	38 (16%)
Somewhat disagree	14 (6%)
Completely disagree	12 (5%)

Total respondents: 235
Respondents who provided responses: 119

The most common responses included:
• We need more staff.
• We have enough staff.
• Staff are sent to other branch offices leaving my office short staffed.
• Absences cause a strain on other staff.

8. I have all the resources (such as training, manuals, personnel, and IT support) needed to address customers' needs.
   (Please indicate and explain your level of agreement.)

Level of agreement	Count (%)
Completely agree	68 (29%)
Mostly agree	75 (32%)
Agree	49 (21%)
Disagree	21 (9%)
Somewhat disagree	16 (7%)
Completely disagree	6 (2%)

Total respondents: 235
Respondents who provided responses: 79

The most common responses included:
• We have a lack of staffing.
• Our procedures manual database is not user friendly.
• We have a lot of good resources.

This exhibit continued on next page.

Training Questions

9. Are you notified when there are policy and procedural changes?

Total respondents: 235

Yes
201 (86%)

No
27 (11%)

I am not sure.
7 (3%)
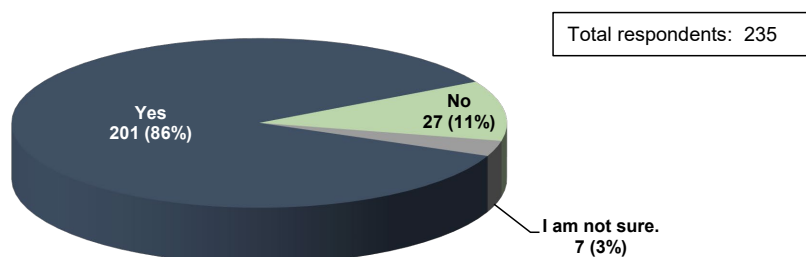
10. Do you attend monthly branch office training?

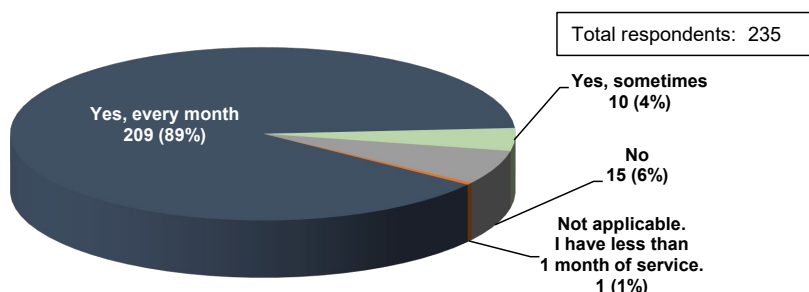Total respondents: 235

Yes, every month
209 (89%)

Yes, sometimes
10 (4%)

No
15 (6%)

Not applicable.
I have less than
1 month of service.
1 (1%)

11. Please rate your level of satisfaction with the training provided by the branch office.

Rating	Value
Very satisfied	57 (24%)
Mostly satisfied	85 (36%)
Satisfied	59 (25%)
Somewhat satisfied	29 (12%)
Unsatisfied	5 (2%)

Total respondents: 235
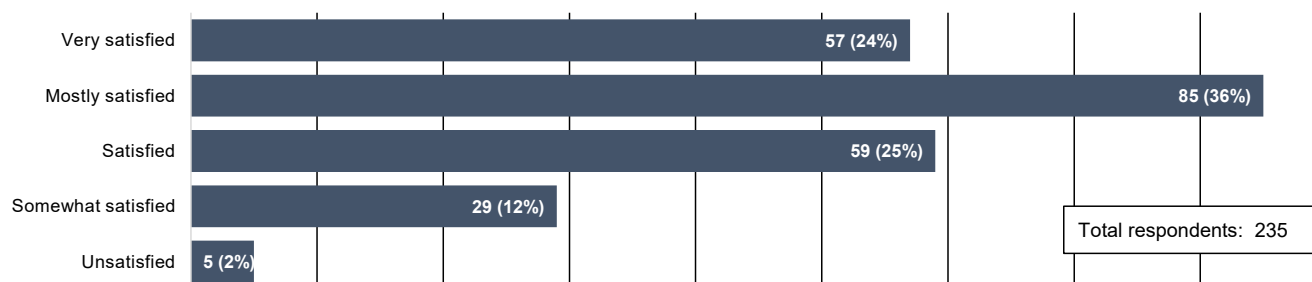
12. Please indicate why you are not satisfied with the branch office training you have been provided (check all applicable boxes).

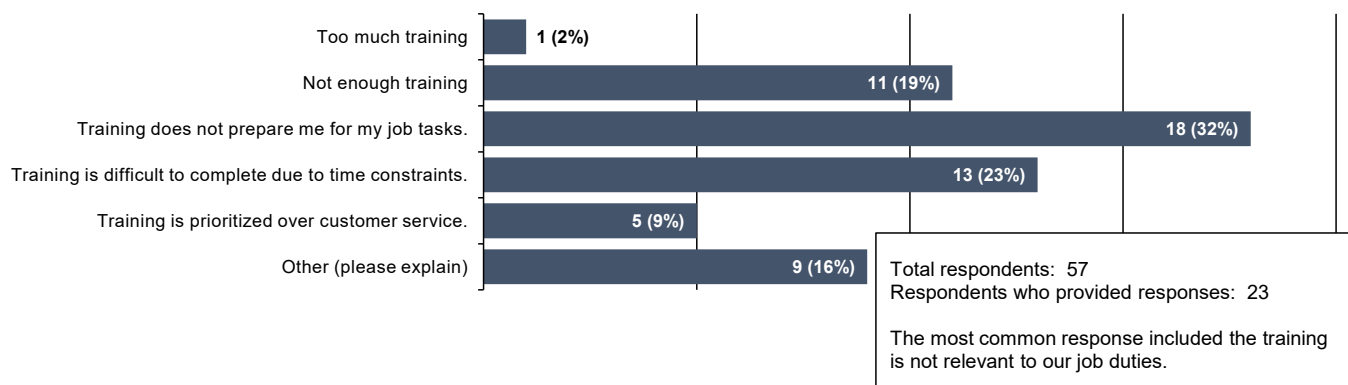| Reason	Value
Too much training	1 (2%)
Not enough training	11 (19%)
Training does not prepare me for my job tasks.	18 (32%)
Training is difficult to complete due to time constraints.	13 (23%)
Training is prioritized over customer service.	5 (9%)
Other (please explain)	9 (16%)

Total respondents: 57
Respondents who provided responses: 23

The most common response included the training is not relevant to our job duties.

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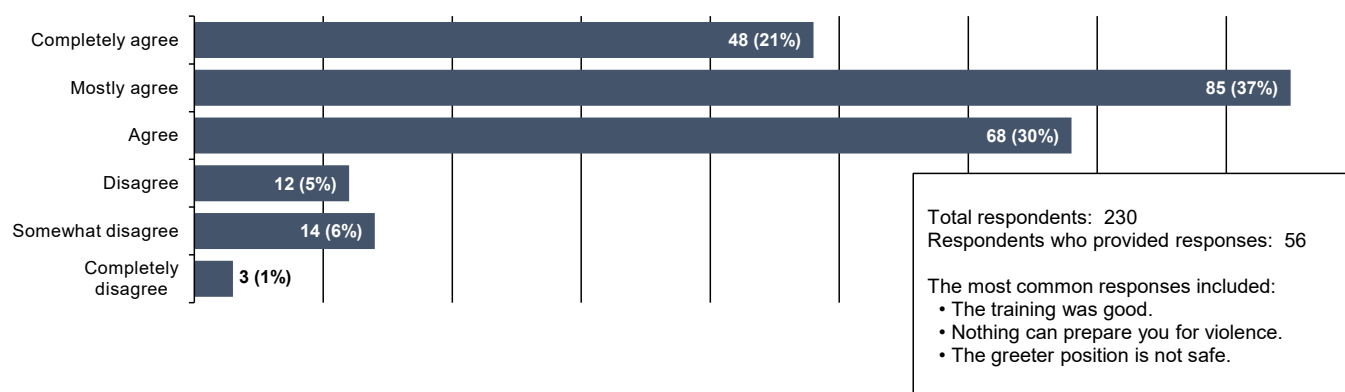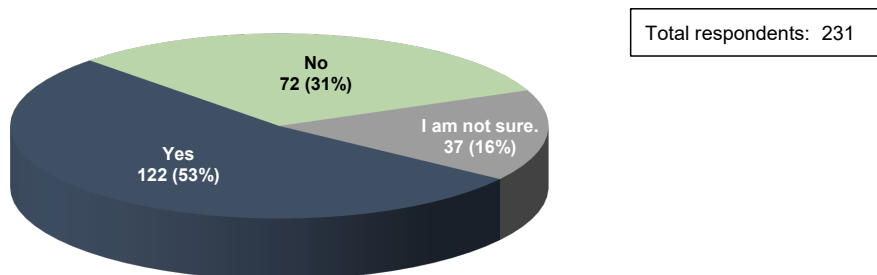13. During calendar year 2023 or 2024, did you participate in any Department of State personal safety training (for example, de-escalation, active shooter, robbery awareness, workplace injury, and illness prevention program)?

Total respondents: 234

Yes
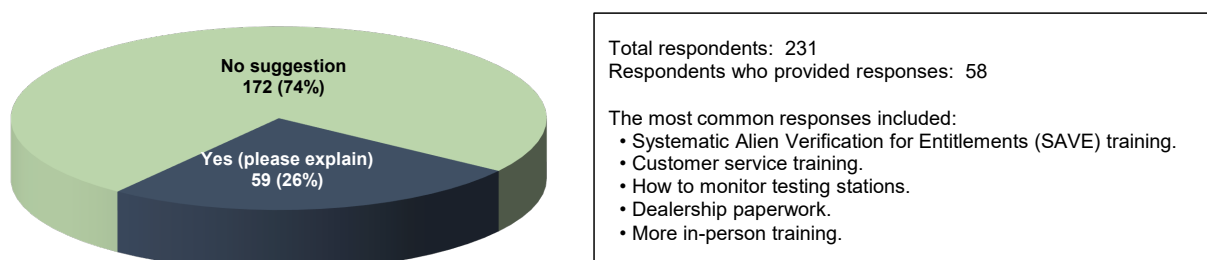231 (99%)

No
3 (1%)

I am not sure.
0 (0%)
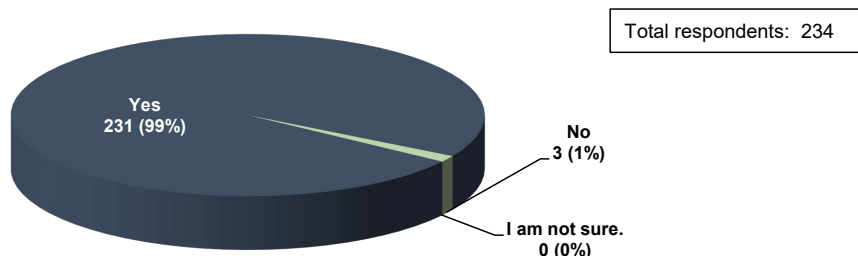
14. The Department of State personal safety training adequately prepared me for unsafe situations. (Please indicate and explain your level of agreement.)

Completely agree — 48 (21%)
Mostly agree — 85 (37%)
Agree — 68 (30%)
Disagree — 12 (5%)
Somewhat disagree — 14 (6%)
Completely disagree — 3 (1%)

Total respondents: 230
Respondents who provided responses: 56

The most common responses included:
• The training was good.
• Nothing can prepare you for violence.
• The greeter position is not safe.

15. Have you received training on how to monitor the branch office's testing area?

Total respondents: 231

No
72 (31%)

I am not sure.
37 (16%)

Yes
122 (53%)

16. Do you have any suggestions for training topics you would like to see covered in the future?

No suggestion
172 (74%)

Yes (please explain)
59 (26%)

Total respondents: 231
Respondents who provided responses: 58

The most common responses included:
• Systematic Alien Verification for Entitlements (SAVE) training.
• Customer service training.
• How to monitor testing stations.
• Dealership paperwork.
• More in-person training.

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Other Questions

17. Are there branch office improvements or changes you would suggest?

Yes
131 (57%)

No suggestion
100 (43%)
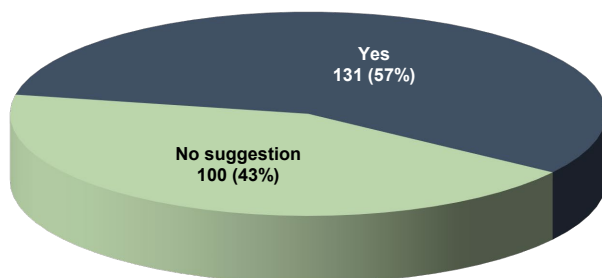
Total respondents: 231
Respondents who provided responses: 129

The most common response included:
  • A more protected greeter station.
  • A separate computer or kiosk for customers to schedule
    a visit.
  • An office remodel.

Source: The OAG developed questions and obtained responses from branch office employees.

BRANCH OPERATIONS DIVISION
Department of State

Comparison of Standard, REAL ID, and Enhanced
Driver's Licenses and Identification Cards

| | ←——— REAL ID ———→ | | |
Are you ready for REAL ID?	**Standard license/ID without a star**	**Standard license/ID with a star**	**Enhanced license/ID**
Fly in the U.S.		✓	✓
Re-enter the U.S. by land or sea from Canada, Mexico, Bermuda or the Caribbean			✓
Enter federal facilities, nuclear power plants and U.S. military bases		✓	✓
Use it as identification	✓	✓	✓
Cash a check	✓	✓	✓
Purchase alcohol, tobacco, age-related products	✓	✓	✓
Rent a vehicle	✓	✓	✓

For more information about REAL ID, visit Michigan.gov/REALID

Source: The OAG downloaded this table on January 17, 2025 using this link:
michigan.gov/sos/-/media/Project/Websites/sos/License-and-ID/REAL-ID/REAL-ID_InfoSheet_85x11.pdf?rev=11c171fb11cf4024b592e2b80faa16e4

AGENCY PRELIMINARY RESPONSE

Finding 2 Agency Preliminary Response and Auditor's Comments to Agency Preliminary Response

This section contains DOS's preliminary response to Finding 2 and our auditor's comments providing further clarification and context where necessary.

Overall Auditor's Comment

DOS indicates in its agency preliminary response it agrees with our conclusion; however, it cited federal reviews of the process DOS believes mitigates the issues noted in the Finding. Also, DOS cites competing legal requirements between federal and State law. In accordance with auditing standards, we evaluated DOS's comments and determined the additional information provided did not warrant a change to the conclusions or classification of the existing Finding as described below.

Finding 2:   Improved REAL ID-compliant documentation needed.

DOS provided us with the following response:

AGENCY PRELIMINARY RESPONSE	AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE
BOD agrees with the recommendation. While BOD acknowledges the REAL ID and EDL security requirements highlighted by the Office of the Auditor General, the practical implementation of said requirements will likely create more problems than it solves within MDOS. Since the MDOS REAL ID implementation in 2017, federal audits have yielded no findings pertaining to storage of SSN documentation at the time of this writing, including the Transportation Security Administration's assessment in December 2024. Therefore, on this matter, MDOS is choosing to follow the expectations of the Transportation Security Administration, the federal agency responsible for REAL ID and EDL regulation.	BOD acknowledges it did not always maintain documentation to support it complied with the applicable REAL ID and enhanced driver's license security requirements. Any past Transportation Security Administration (TSA) reviews conducted prior to October 1, 2022 were outside the scope of our audit. Instead, we evaluated DOS current practices and identified the noncompliance and control weakness noted in the Finding.
	DOS informed us it asserted in its December 2024 Material Compliance Checklist to TSA its process complied with federal regulation 6 *CFR* 37.31, which includes the retention of copies of the application, declaration, and all source documents presented in support of an application. However, BOD instructed employees to limit scanning documentation containing SSNs to the extent possible. Therefore, it appears DOS did not accurately represent its document retention process in its checklist submitted to TSA.
	TSA informed the OAG it initially relies upon the State's completion of its checklist. Depending upon the TSA review of the checklist and other requested documents, it may conduct an audit of the State. TSA also said for its December 2024 review, it conducted a one-day site visit at 1 branch office to observe its operations and follow up on any checklist questions. The site visit did not include a review of documentation to support the REAL ID transactions. We conducted procedures to determine whether BOD maintained the necessary documentation and noted BOD did not always maintain documentation to support 6 (50%) of the 12 REAL ID-compliant transactions.

Although REAL ID and EDL security requirements dictate the retention of SSN documentation, the Michigan Social Security Number Privacy Act (MCL 445.84) requires MDOS to protect the confidentiality of SSNs by limiting viewing permissions. To uphold these SSN privacy requirements, MDOS has implemented business policies and IT permissions limiting employee access even to the last four digits of the SSN, given the damaging potential of misuse and classification of SSNs as highly restricted personal information. MDOS sought an acceptable balance between the two sets of legal requirements by relying on a combination of in-person reviews of SSN documentation and real-time SSN authentication via interface with the Social Security Administration, while limiting scanning and storing of documentation containing SSNs to the extent possible. If MDOS were to comply with the recommendation, MDOS would need to conduct an impact assessment, which would include exploring capabilities within the system of record, CARS, to securely scan and store SSN documentation for the required timeframes while maintaining the numerous safeguards MDOS has implemented within CARS to uphold its legal obligations to protect the privacy of SSNs, an effort that would have financial implications, IT considerations, and analysis of competing legal requirements.

DOS acknowledges the State is required to retain SSN documentations as mandated by the REAL and enhanced driver's license security requirements. Although *MCL* Section 445.84 requires a privacy policy limiting access to information or documents containing SSNs, it does not negate the source document retention requirements as indicated in federal regulation 6 *CFR* 37.31.

In addition, federal regulations 6 *CFR* 37.31 and 6 *CFR* 37.41 indicate the State shall take measures to protect any personally identifiable information collected pursuant to the REAL ID Act as described in its security plan. The safeguards must include procedures to prevent unauthorized access, use, or dissemination of applicant information and images of source documents retained pursuant to the Act and standards and procedures for document retention and destruction. These requirements appear consistent with and not in conflict with State law.

If MDOS were to comply with the recommendation, MDOS would also need to conduct an impact assessment on the requirement to scan proof of residence address to the system of record, CARS. This requirement would result in additional work for branch staff to make manual redactions of sensitive information from the documentation showing residence address, as said documentation often includes data elements such as bank account numbers and other financial information that are not authorized for storage within CARS. As such, the impact assessment would determine whether MDOS generates additional risk by adding this scanned documentation within the system. This would again necessitate an analysis of competing legal requirements between REAL ID and privacy. Additionally, complying with this finding would effectively reverse numerous MDOS policies and procedures that have guided branch staff toward accurate and privacy-focused service to Michigan residents, as confirmed by multiple federal audits during the period of this engagement.

DOS implies competing legal requirements between the federal REAL ID Act requirements and privacy requirements would require further analysis and potentially reverse numerous DOS policies and procedures. However, these factors do not relieve DOS of the responsibility to comply with federal law.

TSA reviewed the December 2024 checklist as submitted by DOS and conducted a limited review of BOD operations. DOS provided the OAG with the correspondence between TSA and DOS related to the checklist, our review noted TSA never classified this review as an audit. In addition, TSA did not review any REAL ID transactions to determine if BOD maintained the required source documents.

We considered the agency response and based on our comments above, the finding stands as written.

AGENCY DESCRIPTION

DOS administers and enforces sections of the Michigan Vehicle Code (Public Act 300 of 1949, as amended, Sections 257.1 - 257.923 of the *Michigan Compiled Laws*) pertaining to vehicle registration, vehicle and operator licensure, and collection of the related fees and taxes.

DOS's mission* is to engage the people of Michigan in its democracy, to deliver excellent customer service, and to strengthen government transparency and integrity. In support of this mission, BOD provides services to those customers whose transactions require physical presence at a branch office or those customers whose preferred method for doing business with DOS is in-person instead of utilizing alternative methods such as the USPS mail, self-service kiosks, or DOS website.

BOD processed 11.8 million transactions (see Exhibit 2), collected $1.3 billion in revenue, and expended $136.0 million within its branch offices from October 1, 2022 through May 31, 2024. BOD had approximately 840 employees as of May 31, 2024.

See glossary at end of report for definition.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to BOD's operations and activities. 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.

Our scope did not include a system audit of CARS. We separately audited the system's edit checks, application access controls, and interface controls related to the CARS vehicle component and released our October 2022 performance audit report on the Customer and Automotive Records System - Vehicle Component, Department of State (231-0592-22).

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined all components were significant.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2022 through May 31, 2024 with branch office site visits occurring between May 16, 2024 and August 1, 2024.

METHODOLOGY

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

- Interviewed DOS management and branch office employees to obtain an understanding of BOD's organizational structure, operations, responsibilities, and activities.

- Reviewed applicable *Michigan Compiled Laws*, administrative rules, BOD operating procedures, and selected federal requirements.

- Analyzed BOD expenditure and revenue data from October 1, 2022 through May 31, 2024.

See glossary at end of report for definition.

- Conducted on-site visits at 2 branch offices to obtain an understanding of and observe inventory and cash handling controls, check-in processes, and other customer service strategies. We judgmentally selected the branch offices based on revenue, geographic location, greeter usage, and smart-safe usage.

- Reviewed applicable sections of DOS's biennial internal control evaluation report for the period ended September 30, 2022.

OBJECTIVE 1

To assess the sufficiency of BOD's efforts to provide efficient and convenient customer service activities at its branch offices.

To accomplish this objective, we:

- Conducted on-site visits at 13 (including the 2 completed during preliminary survey) of 131 branch offices between May 16, 2024 and August 1, 2024 to obtain an understanding of branch office management and observe customer wait times, customer service, communications with staff, and greeter program usage. We judgmentally selected the branch offices based on revenue, geographic location, greeter usage, and smart-safe usage.

- Reviewed next available scheduled-visit times at all 131 branch offices as of April 18, 2024 to determine if same day visits were available.

- Surveyed 819 branch office employees active as of July 10, 2024 to obtain their perspective on aspects of BOD's customer service and training efforts (see Exhibit 4).

- Analyzed 693 customer comments submitted through the DOS website between October 1, 2022 and May 31, 2024 to obtain an understanding of the types of comments received.

- Randomly and judgmentally selected 13 of 131 branch offices, which included 82 staff, to review quality of work tracking spreadsheets for completion between October 1, 2022 and July 17, 2024. We judgmentally selected the branch offices based on geographic location to ensure representativeness by district.

Our random sample was selected to eliminate bias and enable us to project the results to the entire population. We selected other samples judgmentally to ensure representativeness and we could not project those results to the respective populations.

OBJECTIVE 2

To assess the effectiveness of BOD's efforts to properly safeguard assets.

To accomplish this objective, we:

- Conducted on-site visits at 13 (including the 2 completed during preliminary survey) of 131 branch offices between May 16, 2024 and August 1, 2024 to obtain an understanding of and observe branch office cash handling, inventory management, and completion of EOD reports. We judgmentally selected the branch offices based on revenue, geographic location, greeter usage, and smart-safe usage. Therefore, we could not project our results to the entire population.

- Reviewed 40 branch reports from a population of approximately 27,200 reports from August 1, 2023 through May 31, 2024. We randomly selected 40 business days and then randomly selected one branch office for each randomly selected date. We performed tests to determine the completeness, accuracy, and retention of the following daily report documents:

  o Daily inventory report.

  o Daily safe deposit log.

  o Voided payment receipts.

- Reviewed 40 random daily bank deposit records from a population of approximately 52,000 deposits from October 1, 2022 through May 31, 2024 to ensure daily bank deposit records matched supporting documentation from the branch offices and CARS. We randomly selected 40 business days and then randomly selected one branch office for each randomly selected date.

Our random samples were selected to eliminate bias and enable us to project the results to the respective populations.

OBJECTIVE 3

To assess the effectiveness of BOD's efforts to comply with selected State and federal requirements.

To accomplish this objective, we:

- Conducted on-site visits at 13 (including the 2 completed during preliminary survey) of 131 branch offices between May 16, 2024 and August 1, 2024 to observe testing station use, branch office displays, completion of daily reports, and use of office drop boxes. We judgmentally selected the branch offices based on revenue, geographic location, greeter usage, and smart-safe usage.

- Surveyed 819 branch office employees active as of July 10, 2024 to obtain their perspective on aspects of BOD's training efforts (see Exhibit 4).

- Reviewed the accuracy and completeness of the training records for a random sample of 56 of 928 branch office employees employed at any time from October 1, 2022 through April 27, 2024.

- Randomly selected 4 of 20 monthly BOD branch dedicated training programs conducted from October 2022 through May 2024 to determine if BOD offered the monthly training programs to all BOD employees.

- Reviewed training standards for a similar industry for initial and ongoing training.

- Analyzed branch office locations and the State's census to ensure branch office locations met statutory requirements.

- Reviewed disability procedures and applications to determine compliance with State law requirements.

- Determined whether BOD maintained the necessary documentation, as required by State and federal requirements, to support branch office transactions by randomly sampling 60 of 11,831,726 branch office transactions processed from October 1, 2022 through May 31, 2024. We also randomly selected 60 additional records from a subpopulation of 381,133 transactions related to disability placards (see Exhibit 2).

- Reviewed 40 randomly selected EOD reports from a population of approximately 52,000 reports from October 1, 2022 through May 31, 2024 for missing images, self-approvals, manager review of transactions, and daily report certification. We randomly selected 40 business days and then randomly selected one branch office for each randomly selected date.

- Reviewed the completeness and accuracy of 48 district manager site visit checklists from 13 of 131 randomly and judgmentally selected branch offices from February 1, 2024 through May 31, 2024.

Our random samples were selected to eliminate bias and enable us to project the results to the respective populations. We selected other samples judgmentally to ensure representativeness or based on risk and we could not project those results to the respective populations.

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 4 findings and 4 corresponding recommendations. DOS's preliminary response indicates it agrees with 2 of the recommendations, partially agrees with 1 recommendation, and disagrees with 1 recommendation.

The agency preliminary response following 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 3, 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 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.

PRIOR AUDIT FOLLOW-UP   Following is the status of the reported findings from our July 2017 performance audit of the Bureau of Branch Office Services, Department of State (231-0333-16):

Prior Audit Finding Number	Topic Area	Current Status	Current Finding Number
1	Improved documentation and monitoring of new employee training needed.	Complied	Not applicable
2	Improved documentation of surveillance equipment maintenance efforts needed.	Not in the scope of this audit.	

SUPPLEMENTAL INFORMATION   Our audit report includes supplemental information presented as Exhibits 1 through 5. 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

auditor's comments to agency preliminary response	Comments the OAG includes in an audit report to comply with *Government Auditing Standards.* Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
BOD	Branch Operations Division.
Code of Federal Regulations (CFR)	The codification of the general and permanent rules published by the departments and agencies of the federal government.
Customer and Automotive Records System (CARS)	An information system consisting of multiple integrated modules and subsystems providing motor vehicle agencies with a single source solution for the complete administration of driver licensing, vehicle titling and registration, and business licensing of DOS regulated industries. CARS is used to process transactions for customer services, driver services, vehicle services, workflow management, and the associated financial and administrative reporting requirements.
DOS	Department of State, also referred to as MDOS.
EDL	enhanced driver's license.
effectiveness	Success in achieving mission and goals.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
EOD	end-of-day.
e-Services portal	DOS website used for scheduling office visits, completing online transactions, and locating a self-service kiosk.
FAST Queuing (FASTQ)	Branch office appointment system.
FMG	Financial Management Guide.

internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, strategic plan, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
IT	information technology.
material condition	A matter, in the auditor's judgment, which 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.
MCL	*Michigan Compiled Laws*.
MCSC	Michigan Civil Service Commission.
mission	The main purpose of a program or an entity or the reason the program or the entity was established.
performance audit	An audit which 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, in the auditor's judgment, less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
SOM	State of Michigan.
SOMLC	State of Michigan Learning Center.

SSN   social security number.

TSA   Transportation Security Administration.

USPS   United States Postal Service.

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