



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Report Number:
27-290-02

Bureau of Local Government Services

Department of Treasury

Released:
February 2004

The Bureau of Local Government Services provides various services to local units of government, including assisting the State Tax Commission in supervising the administration of State property tax laws; administering the State's delinquent property tax reversion process; auditing and overseeing the accounting and audits of local government; monitoring and approving local unit deficit elimination plans; and reviewing applications for the issuance of debt. Certain findings included in this report specifically relate to activities occurring within the local units of government. Because the Bureau may not be directly responsible for these functions, we have addressed these findings and related recommendations to the Department rather than the Bureau.

Audit Objective:

To assess the Bureau of Local Government Services' effectiveness in administering the functions of the Department of Treasury's local government services.

Conclusion:

We concluded that the Bureau was not effective in administering the functions of the Department's local government services. We noted 11 findings, including 10 we consider material related to collection of the industrial facility tax, collection of State tax revenues held by a city, accounting for the industrial facility tax, audit of the industrial facility tax, collection of the State education tax (SET) and real estate transfer tax (RETT), accounting for SET and RETT, collection and oversight of property tax revenue from tax increment financing, collection of specific taxes, collection of interest on untimely remittance of State taxes, and annual audits of county government (Findings 1 through 7 and 9 through 11).

Although our audit procedures were not designed to detect all uncollected tax revenue, these findings disclose uncollected State tax revenues and estimated additional tax revenues in the following amounts:

Uncollected State Tax	
Revenues:	
Industrial Facility Tax	\$ 67,000,000
Tax Increment Financing	<u>15,800,000</u>
Total	<u>\$ 82,800,000</u>

Estimated Additional Tax	
Revenues:	
Trailer Coach Park Tax	\$ 3,500,000
Interest	<u>32,600,000</u>
Total	<u>\$ 36,100,000</u>

Grand Total	<u>\$118,900,000</u>
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Audit Objective:

To assess the Local Property Services Section's effectiveness and efficiency in

administering the delinquent property tax reversion process and the Special Assessment Deferment Fund.

Conclusion:

We concluded that the Local Property Services Section was not effective and efficient in administering the delinquent property tax reversion process and the Special Assessment Deferment Fund. We noted 8 findings, including 4 we consider material related to the Delinquent Property Tax Administration Fund, revenue and accounts receivable reconciliations, accounting for delinquent property tax revenue, and Special Assessment Deferment Fund accounting (Findings 12 through 14 and 16).

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Audit Objective:

To assess the Local Audit and Finance Division's effectiveness and efficiency related to reviewing and conducting audits of local units of government.

Conclusion:

We concluded that the Local Audit and Finance Division was not effective and efficient in reviewing and conducting audits of local units of government. We noted 7 findings, including 2 we consider material related to oversight of local units of government and performance audits of State transportation funds (Findings 20 and 21).

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Audit Objective:

To assess the Property Tax Division's effectiveness and efficiency in administering the functions of the property tax program and the training and certification of assessors.

Conclusion:

We concluded that the Property Tax Division was generally effective and efficient in administering the functions of the Property Tax Division and the training and certification of assessors. However, we noted 3 findings, which we consider reportable conditions.

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Agency Response:

The Department's response indicated agreement with 25 findings (Findings 1, 3 through 10, 12, 14 through 27, and 29). The Department's response indicated disagreement with 4 findings related to administration of local government services (Findings 2 and 11), administration of delinquent property taxes (Finding 13), and administration of property tax (Finding 28).

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/



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