

PERFORMANCE AUDIT
OF THE

PROPERTY DEVELOPMENT AND
MANUFACTURED HOUSING DIVISIONS

CORPORATION, SECURITIES, AND LAND DEVELOPMENT BUREAU
DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

November 1999

EXECUTIVE DIGEST

PROPERTY DEVELOPMENT AND MANUFACTURED HOUSING DIVISIONS

INTRODUCTION

This report, issued in November 1999, contains the results of our performance audit* of the Property Development and Manufactured Housing Divisions within the Corporation, Securities, and Land Development Bureau, Department of Consumer and Industry Services (CIS).

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

The Bureau is a regulatory component of CIS. The Bureau's stated mission* is to help legitimate businesses form and prosper in Michigan while protecting their rights under the laws of this State and to ensure that consumers will have protection from illegitimate businesses. The Bureau consists of the Bureau Services, Corporation, Enforcement, Property Development, Manufactured Housing, and Securities Examination Divisions. In addition, the Manufactured Housing Commission has statutory authority for some manufactured housing functions.

* See glossary at end of report for definition.

Property Development Division goals* are to enhance the orderly development and division of real property by ensuring that all statutory requirements are met and that all boundaries are established, re-established, and maintained; review subdivision plats* in an orderly and consistent manner; and provide an objective forum for proposed municipal annexation, consolidations, and incorporations. The Manufactured Housing Division goals are to ensure the orderly growth of the manufactured housing industry within Michigan, eliminate discriminatory practices that restrict the rights of the manufactured housing industry, and institute programs that build consumer confidence.

The Property Development and Manufactured Housing Divisions' operating expenditures were \$1.1 million and \$1.5 million, respectively, for fiscal year 1997-98. The Property Development Division had 14 employees, and the Manufactured Housing Division had 17 employees as of April 30, 1999.

AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS

Audit Objective: To assess the Bureau's effectiveness and efficiency in fulfilling statutory requirements for the survey and remonumentation* program.

Conclusion: We concluded that the Bureau was generally effective and efficient in fulfilling statutory requirements for the survey and remonumentation program. However, we noted a reportable condition* related to standardized data reporting (Finding 1).

Noteworthy Accomplishments: The Bureau established an Internet database of all public land survey

* See glossary at end of report for definition.

corners* completed and filed under the State Survey and Remonumentation Act (Act 345, P.A. 1990, as amended) to enable other users to readily access the data. In addition, the Bureau is in the process of scanning all the land corner recordation certificates* onto its optical imaging system for data storage, easy accessibility, and future data sharing.

Audit Objective: To assess the Bureau's effectiveness and efficiency in fulfilling statutory requirements for the subdivision control program.

Conclusion: We concluded that the Bureau was generally effective and efficient in fulfilling statutory requirements for the subdivision control program. However, we identified reportable conditions related to circuit court case closure and plat review fees (Findings 2 through 3).

Noteworthy Accomplishments: The Bureau established an indexed list of all subdivisions platted and recorded under the Land Division Act (Act 288, P.A. 1967, as amended) in an Internet database to enable other users to readily access the data. In addition, the Bureau is in the process of scanning all the recorded plats onto its optical imaging system for data storage, easy accessibility, and future data sharing. Also, the Bureau developed a policy and procedures manual for the Subdivision Control Section to help ensure compliance with statutory requirements.

* See glossary at end of report for definition.

Audit Objective: To assess the Bureau's effectiveness and efficiency in fulfilling statutory requirements for the municipal boundary adjustment* process.

Conclusion: We concluded that the Bureau was generally effective and efficient in fulfilling statutory requirements for the municipal boundary adjustment process. However, we identified a reportable condition related to goals and objectives (Finding 4).

Noteworthy Accomplishments: The Bureau has developed and published a pamphlet that explains the municipal boundary adjustment process. The pamphlet is available to individuals inquiring about the process at State Boundary Commission hearings, on the Internet, and through the mail. In addition, the Bureau completed a total quality management project for the municipal boundary adjustment process that recommended improvements in the process.

Audit Objective: To assess the Bureau's and the Manufactured Housing Commission's effectiveness and efficiency in fulfilling statutory requirements for the manufactured housing program.

Conclusion: We concluded that the Bureau and the Commission were generally effective and efficient in fulfilling statutory requirements for the manufactured housing program. However, we identified reportable conditions related to consumer complaints, license file documentation, and condominium program expenditures (Findings 5 through 7).

* See glossary at end of report for definition.

Noteworthy Accomplishments: The Bureau comprehensively reviewed and recommended rule changes and processed revised Manufactured Housing Rules through the administrative rule approval process. The Bureau conducted seminars on the fiscal year 1997-98 administrative rule revisions for manufactured housing communities*, installers and servicers*, retailers*, and manufacturers. In addition, the Bureau implemented annual seminars for installers and servicers to promote a better understanding of and improve compliance with requirements of the Mobile Home Commission Act (Act 96, P.A. 1987) and the Manufactured Housing Rules. Also, the Bureau completed customer satisfaction surveys to improve operations and customer relations of the Manufactured Housing Division.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Property Development and Manufactured Housing Divisions. 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 procedures included the testing of records for the period October 1, 1995 through April 30, 1999.

To establish our audit methodology, we conducted a preliminary survey of each Division's operations and identified potential areas to improve operations, established audit objectives related to these areas, and developed audit procedures designed to assess the level of performance or compliance for each audit objective.

* See glossary at end of report for definition.

To accomplish our objectives, we analyzed and tested the county survey and remonumentation grant funding formula and examined the grant process for appropriate reviews and approvals. We evaluated monumentation and remonumentation progress. We verified the sufficiency of record coordination, restoration, maintenance, preservation, and storage. We analyzed the Bureau's progress regarding control stations* . We tested plat files and the circuit court plat review process, analyzed the plat violation enforcement process, and assessed the plat storage and retrieval process. We tested municipal boundary adjustment petition files. We also tested the Manufactured Housing Division's licensing, construction permit, and local ordinance processes. We analyzed the audit criteria and selection process and tested the informal complaint process. We also tested the reliability of data in the various databases.

AGENCY RESPONSES

Our audit report contains 7 findings and 13 recommendations. The Bureau's preliminary response indicated that it agreed with 11 of the 13 recommendations and has either complied with or will take steps to comply with 11 recommendations.

* See glossary at end of report for definition.

Ms. Kathleen M. Wilbur, Director
Department of Consumer and Industry Services
G. Mennen Williams Building
Lansing, Michigan

Dear Ms. Wilbur:

This is our report on the performance audit of the Property Development and Manufactured Housing Divisions within the Corporation, Securities, and Land Development Bureau, Department of Consumer and Industry Services.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Description of Agency

The Corporation, Securities, and Land Development Bureau is a regulatory component of the Department of Consumer and Industry Services (CIS). The Bureau has the dual responsibility of actively encouraging the growth of business in Michigan while at the same time protecting investors and consumers. The Bureau's stated mission is to help legitimate businesses form and prosper in Michigan while protecting their rights under the laws of this State and to ensure that consumers will have protection from illegitimate businesses. The Bureau consists of the Bureau Services, Corporation, Enforcement, Property Development, Manufactured Housing, and Securities Examination Divisions. In addition, the Manufactured Housing Commission has statutory authority for some manufactured housing functions.

Property Development Division goals are to enhance the orderly development and division of real property by ensuring that all statutory requirements are met and that all boundaries are established, re-established, and maintained; review subdivision plats in an orderly and consistent manner; and provide an objective forum for proposed municipal annexation, consolidations, and incorporations. The Property Development Division includes the Survey and Remonumentation, Subdivision Control, and Boundary Commission Sections.

The Survey and Remonumentation Section administers a Statewide program to monument* and remonument the original U.S. government public land survey property controlling corners* and to maintain them for perpetuity. The property controlling corners include all State boundary markers between Michigan, Ohio, Indiana, and Wisconsin; county, township, section, and one-quarter section corners; and private claim corners* in the State. The State Survey and Remonumentation Act (Act 345, P.A. 1990, as amended) established the State Survey and Remonumentation Commission to coordinate and implement the monumentation and remonumentation of property controlling corners within 20 years and to coordinate the establishment of geographic information systems. Executive Order 1997-13 abolished the Commission and transferred statutory authority and responsibilities to the CIS director by a type III transfer*. The CIS director approves the annual county grants and amendments and

* See glossary at end of report for definition.

issues the biennial report to the Legislature. The Survey and Remonumentation Section administers all other statutory requirements.

Beginning with calendar year 1993, CIS awarded annual grants to each of the 83 counties to complete the monumenting and remonumenting of corners. The Survey and Remonumentation Section distributed county grants totaling approximately \$4 million annually for fiscal years 1996-97, 1997-98, and 1998-99. The county grants are funded from recording fees collected at the county register of deeds and transferred to the State. The Survey and Remonumentation Section estimated that 300,000 corners need monumentation or remonumentation. The counties monumented or remonumented and recorded with the register of deeds a total of 41,452 corners for calendar years 1993 through 1998.

The Subdivision Control Section administers the applicable provisions of the Land Division Act (Act 288, P.A. 1967, as amended) to ensure the orderly development of land division in the State. The Subdivision Control Section conducts final reviews of plats for proper ownership, required certifications, and accurate legal descriptions to ensure compliance with the Act. In addition, it authorizes final plats to be submitted to the register of deeds for proper recording. The Subdivision Control Section reviews approximately 560 plats annually. The plat review process is funded by plat review fees.

The Boundary Commission Section assists the State Boundary Commission by providing research, analysis, and administrative support for municipal boundary adjustments. The Commission was established by the State Boundary Commission Act (Act 191, P.A. 1968) in the Department of Treasury. The Commission was transferred to the Department of Commerce by Executive Order 1980-1. Executive Order 1996-2 transferred the statutory authority, powers, duties, functions, and responsibilities of the State Boundary Commission from the Department of Commerce to the CIS director by a type II transfer* . The Commission reviews petitions filed by land owners, cities, and individuals requesting municipal annexations, consolidations, and incorporations under the State Boundary Commission Act. The Commission reviews documentation, holds hearings, and provides a recommendation approving or denying the municipal boundary adjustments to the CIS director. The CIS director approves or denies the

* See glossary at end of report for definition.

municipal boundary adjustments. The Commission received 66 petitions requesting municipal boundary adjustments for fiscal years 1995-96, 1996-97, and 1997-98.

The Manufactured Housing Division goals are to ensure the orderly growth of the manufactured housing industry within Michigan, eliminate discriminatory practices that restrict the rights of the manufactured housing industry, and institute programs that build consumer confidence. The Manufactured Housing Division is primarily responsible for manufactured housing functions. However, it is also responsible for limited functions applicable to the Land Sales Act (Act 286, P.A. 1972) and the Condominium Act (Act 59, P.A. 1978).

The Manufactured Housing Division is responsible for the initial and annual licensing of manufactured housing communities; annual licensing of retailers, installers, and servicers; establishment of Statewide standards for manufactured housing community development and manufactured housing businesses; and monitoring of regulated entities for compliance with applicable manufactured housing and health standards. The Mobile Home Commission Act (Act 96, P.A. 1987) established the Mobile Home Commission, which was renamed the Manufactured Housing Commission by Executive Order 1997-13. In addition, the Act provides for the licensing, regulation, construction, operation, and management of manufactured housing communities and the licensing and regulation of retailers, installers, and servicers. Executive Order 1996-2 transferred the statutory authority, functions, duties, and responsibilities of the Manufactured Housing Commission to the CIS director by a type II transfer. Executive Order 1997-13 transferred the statutory authority, functions, duties, and responsibilities back to the Commission, except for rulemaking, which remained with the CIS director. The Commission's primary responsibilities include approving initial licenses for retailers, installers, and servicers; establishing uniform policies related to all phases of manufactured housing businesses and communities; determining sufficiency of local manufactured housing ordinances; conducting public hearings; approving variances; and imposing penalties. The Division licensed approximately 1,100 communities, 800 retailers, and 670 installers and servicers for fiscal year 1998-99. In addition, the Division responded to 410 complaints and completed 240 audits during fiscal year 1997-98. The Manufactured Housing Division is funded from licensing and other manufactured housing fees.

The Property Development and Manufactured Housing Divisions' operating expenditures were \$1.1 million and \$1.5 million, respectively, for fiscal year 1997-98. The Property Development Division had 14 employees, and the Manufactured Housing Division had 17 employees as of April 30, 1999.

On August 8, 1999 (subsequent to the completion of our audit fieldwork), the Property Development and Manufactured Housing Divisions were combined to form the Manufactured Housing and Land Development Division.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of the Property Development and Manufactured Housing Divisions within the Corporation, Securities, and Land Development Bureau, Department of Consumer and Industry Services, had the following objectives:

1. To assess the Bureau's effectiveness and efficiency in fulfilling statutory requirements for the survey and remonumentation program.
2. To assess the Bureau's effectiveness and efficiency in fulfilling statutory requirements for the subdivision control program.
3. To assess the Bureau's effectiveness and efficiency in fulfilling statutory requirements for the municipal boundary adjustment process.
4. To assess the Bureau's and the Manufactured Housing Commission's effectiveness and efficiency in fulfilling statutory requirements for the manufactured housing program.

Audit Scope

Our audit scope was to examine the program and other records of the Property Development and Manufactured Housing Divisions. 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.

Audit Methodology

Our audit procedures were performed during November 1998 through April 1999 and included the testing of records for the period October 1, 1995 through April 30, 1999.

To establish our audit methodology, we conducted a preliminary survey of each Division's operations and identified potential areas to improve operations, established audit

objectives related to these areas, and developed audit procedures designed to assess the level of performance or compliance for each audit objective.

To accomplish our first objective, we analyzed and tested the county survey and remonumentation grant funding formula and distribution for statutory compliance. We examined and tested the grant process for appropriate documentation, reviews, approvals, and performance standards* . We evaluated monumentation and remonumentation progress for efficiency and effectiveness. We verified the sufficiency of record coordination, restoration, maintenance, preservation, and storage. We assessed and tested the reliability of the data in the database established to maintain monumented and remonumented corners. We analyzed the Bureau's progress in coordinating the extension, densification, and maintenance of the horizontal and vertical control stations and the establishment of a database to maintain the control stations.

To accomplish our second objective, we tested plat files, analyzed and tested the circuit court plat review process, assessed the plat storage and retrieval process, analyzed the plat violation enforcement process, and reviewed other relevant documentation for compliance with management controls, policies and procedures, laws, rules, and performance standards. We tested the reliability of data in the database used to log and track the plat review process.

To accomplish our third objective, we tested municipal boundary adjustment petition files for compliance with management controls, policies and procedures, laws, rules, and performance standards. We also tested the files for adequate documentation of hearings, recommendations, and approvals. We tested the reliability of data in the database used to log and track the petition process.

To accomplish our fourth objective, we tested the Manufactured Housing Division's licensing, construction permit, and local ordinance processes for appropriate reviews, documentation, approval, and compliance with management controls, policies and procedures, laws, rules, and performance standards. We analyzed the audit criteria and selection process and tested completed audits. We tested the informal complaint process to determine the response time, resolution, and open complaint status. We also tested the reliability of the licensing database.

* See glossary at end of report for definition.

Agency Responses

Our audit report contains 7 findings and 13 recommendations. The Bureau's preliminary response indicated that it agreed with 11 of the 13 recommendations and has either complied with or will take steps to comply with 11 recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Consumer and Industry Services to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS AND EFFICIENCY OF SURVEY AND REMONUMENTATION PROGRAM

COMMENT

Background: The State Survey and Remonumentation Act (Act 345, P.A. 1990, as amended) established the State Survey and Remonumentation Commission to coordinate and implement the monumentation and remonumentation of property controlling corners within 20 years and coordinate the establishment of geographic information systems. The State Survey and Remonumentation Commission was abolished in fiscal year 1996-97. The Corporation, Securities, and Land Development Bureau and the director of the Department of Consumer and Industry Services (CIS) administer the Act.

Audit Objective: To assess the Bureau's effectiveness and efficiency in fulfilling statutory requirements for the survey and remonumentation program.

Conclusion: We concluded that the Bureau was generally effective and efficient in fulfilling statutory requirements for the survey and remonumentation program. However, we noted a reportable condition related to standardized data reporting.

Noteworthy Accomplishments: The Bureau established an Internet database of all public land survey corners completed and filed under the State Survey and Remonumentation Act (Act 345, P.A. 1990, as amended) to enable other users to readily access the data. In addition, the Bureau is in the process of scanning all the land corner recordation certificates onto its optical imaging system for data storage, easy accessibility, and future data sharing.

FINDING

1. Standardized Data Reporting

The Survey and Remonumentation Section did not standardize data maintained by the Section and reported in legislative and performance reports of counties'

remonumentation activities. As a result, the Section maintained and reported data inconsistently.

Section 54.266 of the *Michigan Compiled Laws* requires the submission of a biennial report to the Legislature that includes an assessment of the progress of implementation of county monumentation and remonumentation plans throughout the State. In addition, the Department of Management and Budget requires performance reports for the State budget process.

Section 54.268 of the *Michigan Compiled Laws* requires each county to provide for the monumentation or remonumentation of the entire county within 20 years. Therefore, consistent data on remonumentation is necessary to determine progress toward this requirement. In addition, as counties complete their monumentation and remonumentation and begin the perpetual maintenance phase, funding allocated to the counties will be reduced. Therefore, consistent data is necessary to determine when counties are nearing completion to facilitate the appropriate allocation of funds to the counties.

The Section reports progress on remonumented corners completed, remonumented corners researched, existing control stations recovered, and State plane coordinates* set. The 1997 legislative report includes cumulative data from calendar year 1993 through 1996. The annual performance reports include 1993 data reported on the calendar year basis in fiscal year 1996-97 and reported on the fiscal year basis for 1997-98. Section staff informed us that the data reported in the legislative report and annual performance reports originated from a summary of the counties' annual activity reports.

* See glossary at end of report for definition.

We noted the following data inconsistently maintained and reported in the legislative reports, the database records, the summary of the counties' annual activity reports, and the annual performance reports:

Activity	Calendar Years 1993 - 1996				Fiscal Years 1992-93 - 1995-96	
	Legislative Report	Database Records by		Summary of Counties' Annual Activity Reports	1997 Annual Performance Report	1998 Annual Performance Report
		Completion Date	Filing Date			
Remonumented Corners Completed	25,473	28,376	27,351	27,411	25,473	25,684
Remonumented Corners Researched	36,568	N/A	N/A	36,639	36,568	35,944
Existing Control Stations Recovered	3,873	N/A	N/A	695	387	696
State Plane Coordinates Set	3,215	2,456	N/A	2,290	3,215	2,745

N/A = Not maintained on the database.

Section staff informed us that the inconsistencies were caused by the Section: reporting some data on a calendar year basis and other data on a fiscal year basis, compiling data from the database without standardization, reporting common corners* some years and excluding them other years, reporting some data for previous years as estimated rather than actual on current annual performance reports, including corners refiled with the register of deeds on the database but not on the counties' annual activity summaries, inconsistently correcting data, and incorrectly recording State plane coordinates and control stations.

* See glossary at end of report for definition.

Maintaining and reporting data consistently improves the Section's ability to effectively monitor the results of the remonumentation program. Developing and applying data standards to past and current data maintained and reported on future legislative and annual performance reports would help eliminate inconsistencies.

RECOMMENDATION

We recommend that the Survey and Remonumentation Section standardize data maintained by the Section and reported in legislative and performance reports of counties' remonumentation activities.

AGENCY PRELIMINARY RESPONSE

The Bureau agreed with the recommendation and indicated that it has complied with the recommendation by implementing procedures to verify the accuracy of the data reported to the Bureau by the counties and to access and report data correctly.

EFFECTIVENESS AND EFFICIENCY OF SUBDIVISION CONTROL PROGRAM

COMMENT

Background: The Land Division Act (Act 288, P.A. 1967, as amended) establishes requirements to regulate the subdivision of land.

Audit Objective: To assess the Bureau's effectiveness and efficiency in fulfilling statutory requirements for the subdivision control program.

Conclusion: We concluded that the Bureau was generally effective and efficient in fulfilling statutory requirements for the subdivision control program. However, we identified reportable conditions related to circuit court case closure and plat review fees.

Noteworthy Accomplishments: The Bureau established an indexed list of all subdivisions platted and recorded under the Land Division Act (Act 288, P.A. 1967, as amended) in an Internet database to enable other users to readily access the data. In

addition, the Bureau is in the process of scanning all the recorded plats onto its optical imaging system for data storage, easy accessibility, and future data sharing. Also, the Bureau developed a policy and procedures manual for the Subdivision Control Section to help ensure compliance with statutory requirements.

FINDING

2. Circuit Court Case Closure

The Subdivision Control Section did not always send written notification of overdue amended plats required by a circuit court judgment. Also, the Section had not implemented methods and written procedures to help ensure closure of circuit court cases affecting platted property.

Section 560.222 of the *Michigan Compiled Laws* requires a person seeking an amendment to a recorded plat to obtain a circuit court judgment granting the amendment. Section 560.229 of the *Michigan Compiled Laws* requires the court to direct the plaintiff to file a new plat with the Section when an amendment is granted.

For overdue amended plats, the Section's procedures require the Section to notify the plaintiff's attorney that the judgment requires filing an amended plat and that the matter will be referred to the Attorney General to have the judgment set aside if the plat is not received within 30 days. Section staff informed us that they do refer some cases to the Attorney General; however, they have not developed written procedures for referring cases.

Our test disclosed that 36 of 411 amended plats had not been received 30 days or more after the required filing date in the judgment. However, the Section had not sent letters to the plaintiff's attorney or informally contacted the surveyor preparing the plat. The Section informed us that it is necessary to determine the status of the circuit court cases before sending written notification to the plaintiff's attorney.

The Section did not have methods and written procedures to close circuit court cases that did not require an amended plat or cases that were dismissed. Our test also disclosed that 9 of 411 circuit court cases were still open but should have been closed because the judgments did not require amended plats or the cases were dismissed. Section staff determine closure of a circuit court case using the

date that the amended plat was received. In addition, this data is used to log and track the progress of the cases in the database. When an amended plat was not required or the case was dismissed, the Section did not have a method to close the circuit court case in the database. As a result, the 9 cases remained open and were included in the report of overdue amended plats.

Adequate follow-up on circuit court cases helps ensure that the Section obtains new plats with property changes.

RECOMMENDATIONS

We recommend that the Section send written notification of overdue amended plats required by a circuit court judgment.

We also recommend that the Section implement methods and written procedures to help ensure closure of circuit court cases affecting platted property.

AGENCY PRELIMINARY RESPONSE

The Bureau disagreed with the recommendations because they require follow-up of overdue plats, rather than the Land Division Act (Act 288, P.A. 1967), which does not include any requirements for follow-up of amended plats not filed with the Bureau. The Bureau acknowledged that it should focus on compliance and refinement of existing procedures related to circuit court cases. In addition, the Bureau indicated that it would follow up on overdue plats and change procedures for closing dismissed circuit court cases or those not requiring an amended plat, if resources were available.

FINDING

3. Plat Review Fees

The Subdivision Control Section did not routinely issue refunds for overpayments of plat review fees and had not developed written procedures to identify and issue refunds for overpayments. In addition, the Section did not identify and refund plat review fees collected during a period when the fees were repealed. Furthermore, the Section did not deposit filing and recording fees in the State General Fund as required by the *Michigan Compiled Laws*.

The Section has a policy and procedures manual for the plat review process; however, the manual did not include procedures for the verification of plat fees or the disposition of underpaid or overpaid fees. Section staff informed us that they verify the amount of the fee and notify the surveyor to submit additional fees for underpayments. However, staff did not routinely follow up on overpayments.

Section 560.241a of the *Michigan Compiled Laws* required the plat review fee of \$150 for up to 4 lots plus \$15 for each additional lot on the plat. This section also has a sunset provision that repealed the plat review fees on October 1, 1998. Section 560.241 of the *Michigan Compiled Laws* concurrently required filing and recording fees of \$20, of which \$10 is to be deposited in the State General Fund. New legislation was enacted on January 20, 1999 that revised Section 560.241 of the *Michigan Compiled Laws* to reinstate plat review fees and eliminate the filing and recording fee payable to the State General Fund.

The Section received excess plat fees of \$1,645 for 4 of 45 plats tested. Three of the 4 overpayments occurred after the sunset provision was effective.

The Section informed all county register of deeds of the repealed plat review fees on October 1, 1998. However, the Section recorded fees of \$22,635 in the State Plat Review Fee Fund for October 1, 1998 through December 31, 1998. Approximately \$21,145 was for plat review fees that should have been refunded. The remaining \$1,490 was filing and recording fees that should have been recorded in the State General Fund.

We were informed that the Section decided not to issue refunds, unless requested by the filer, because legislation was pending to reenact the plat review fees and the Section was uncertain whether the fees would be retroactive.

Developing written procedures for the verification of plat review fees and the disposition of incorrect fees will help ensure that fees are collected in compliance with legislative requirements.

RECOMMENDATIONS

We recommend that the Section issue refunds for overpayments of plat review fees and develop written procedures to identify and issue refunds for overpayments.

We also recommend that the Section identify and refund plat review fees collected during a period when the fees were repealed.

We further recommend that the Section transfer the filing and recording fees into the State General Fund as required by the *Michigan Compiled Laws*.

AGENCY PRELIMINARY RESPONSE

The Bureau agreed with the recommendations and indicated that it will comply with the first recommendation by developing procedures to identify and issue refunds for overpayments of plat review fees. In addition, the Bureau indicated that it had complied with the remaining recommendations by identifying all overpayments from October 1, 1998 to January 20, 1999 and issuing refunds and transferring the filing and recording fees.

EFFECTIVENESS AND EFFICIENCY OF MUNICIPAL BOUNDARY ADJUSTMENT PROCESS

COMMENT

Background: The State Boundary Commission was established by the State Boundary Commission Act (Act 191, P.A. 1968) and identifies Commission statutory requirements for municipal incorporation, consolidation, and annexation. The Commission's statutory authority was transferred to the CIS director in fiscal year 1995-96. As a result, the CIS director issues final approval on municipal boundary adjustments.

Audit Objective: To assess the Bureau's effectiveness and efficiency in fulfilling statutory requirements for the municipal boundary adjustment process.

Conclusion: We concluded that the Bureau was generally effective and efficient in fulfilling statutory requirements for the municipal boundary adjustment process. However, we identified a reportable condition related to goals and objectives.

Noteworthy Accomplishments: The Bureau has developed and published a pamphlet that explains the municipal boundary adjustment process. The pamphlet is available to individuals inquiring about the process at State Boundary Commission hearings, on the Internet, and through the mail. In addition, the Bureau completed a total quality management project for the municipal boundary adjustment process that recommended improvements in the process.

FINDING

4. Goals and Objectives

The Boundary Commission Section did not use its annual performance plan to monitor compliance with some established performance standards and did not evaluate the causes of underachievement of performance standards. In addition, the Section had not developed accurate, updated, written procedures to provide guidance on established processes and time frames. As a result, performance standards were not achieved and subsequent years' performance standards or internal processes were not revised.

Performance standards are a desired level of output or outcome as identified in statutes, regulations, contracts, management goals, industry practices, peer groups, or historical performance. Performance indicators* are information of a quantitative or qualitative nature indicating program outcomes, outputs, or inputs. Performance indicators are typically used to assess achievement of goals and/or objectives.

The annual performance plans for fiscal years 1995-96, 1996-97, and 1997-98 did not include performance standards for petition notification or sufficiency hearings, although performance indicators for sufficiency hearings were reported. Including performance standards in the annual performance plan could help ensure that the results are monitored annually.

* See glossary at end of report for definition.

Our test of petition files disclosed that the Section did not meet established timeliness performance standards for the following:

- a. Eleven (39%) of 28 petition notifications were not mailed within the 10 days established in the *Michigan Administrative Code* R123.46(1) (State Boundary Commission General Rules). Petition notification initiates the municipal boundary adjustment process and provides information to required parties. Noncompliance with the Rules could result in a challenge to CIS's decision on the municipal boundary adjustment.
- b. Eight (50%) of 16 sufficiency hearings were not held within the 120 days established by the Section in the annual performance plan. The Section established the 120-day performance standard for fiscal years 1996-97, 1997-98, and 1998-99 to help ensure that the public hearings for the municipal boundary adjustment process were held within the 220 days required in Section 123.1008(3) of the *Michigan Compiled Laws*. Our testing disclosed that the Section did hold public hearings within the required 220 days. Commission members determine if a petition meets the legal requirements for a municipal boundary adjustment at the sufficiency hearings.
- c. Four (31%) of 13 adjudication hearings were not held within the 365-day time frame established by the Section in the annual performance plan. The Section established the 365-day performance standard for fiscal years 1996-97, 1997-98, and 1998-99 to improve the time required to process petitions. Commission members recommend approval or denial of the municipal boundary adjustments at the adjudication hearings.

Section staff informed us that some sufficiency hearings and adjudication hearings are intentionally delayed because of multiple petition filings, refiled petitions, supplemental public hearings, and municipal agreement negotiations.

Our review of the procedure manual disclosed that procedures were not updated for sufficiency and adjudication hearings to include timeliness performance standards. In addition, the procedures state that petition notifications are not required to be mailed in a specific time, which contradicts the Rules.

Section staff had evaluated the performance measures for the legal sufficiency and adjudication hearings and noted an underachievement; however, they had not investigated the cause. A periodic evaluation of the cause of underachieved results could identify inefficiencies in the process or needed adjustments to the performance standards to accommodate intentional delays in the process.

RECOMMENDATIONS

We recommend that the Section use its annual performance plan to monitor compliance with established performance standards and evaluate the causes of underachieving performance standards.

We also recommend that the Section develop accurate, updated, written procedures to provide guidance on established processes and time frames.

AGENCY PRELIMINARY RESPONSE

The Bureau agreed with the recommendations and indicated that it had complied with the first recommendation by monitoring compliance with performance standards and investigating causes for underachieved performance standards for the semiannual performance plan ended March 31, 1999. In addition, the Bureau indicated that it will continue to monitor subsequent performance plans. The Bureau also indicated that it will comply with the second recommendation by revising procedures to provide guidance on established processes and time frames.

EFFECTIVENESS AND EFFICIENCY OF MANUFACTURED HOUSING PROGRAM

COMMENT

Background: The Mobile Home Commission Act (Act 96, P.A. 1987) identifies statutory requirements for the Manufactured Housing Commission and the Bureau. In addition, the Act provides for licensing, regulation, construction, operation, and management of manufactured housing communities and the licensing and regulation of retailers, installers, and servicers.

Audit Objective: To assess the Bureau's and the Manufactured Housing Commission's effectiveness and efficiency in fulfilling statutory requirements for the manufactured housing program.

Conclusion: We concluded that the Bureau and the Commission were generally effective and efficient in fulfilling statutory requirements for the manufactured housing program. However, we identified reportable conditions related to consumer complaints, license file documentation, and condominium program expenditures.

Noteworthy Accomplishments: The Bureau comprehensively reviewed and recommended rule changes and processed revised Manufactured Housing Rules through the administrative rule approval process. The Bureau conducted seminars on the fiscal year 1997-98 administrative rule revisions for manufactured housing communities, installers and servicers, retailers, and manufacturers. In addition, the Bureau implemented annual seminars for installers and servicers to promote a better understanding of and improve compliance with requirements of the Mobile Home Commission Act (Act 96, P.A. 1987) and the Manufactured Housing Rules. Also, the Bureau completed customer satisfaction surveys to improve operations and customer relations of the Manufactured Housing Division.

FINDING

5. Consumer Complaints

The Manufactured Housing Division sometimes did not follow up or resolve complaints in a timely manner. In addition, the Division did not periodically review the computer system for open complaint files.

The Division investigates complaints on manufactured housing communities, manufacturers, retailers, installers, and servicers of manufactured housing under Section 125.2336 of the *Michigan Compiled Laws*.

Division procedures require case closure after any of the following resolutions: the complainant either has accepted the respondent's response or has not responded to the Division's communication, the Division did not find merit in the complaint and the complainant was notified, the date by which a respondent was required to comply with the resolution had lapsed, the complaint was referred to the

Enforcement Division, or the Division determined that the respondent had complied and notified the complainant.

Our test of 49 complaint files disclosed:

- a. The Division did not notify 1 complainant of the respondent's response until seven months after the Division received the response. For another complaint, the Division did not send a closure letter to the parties until five months after correspondence from the complainant indicating the complaint was resolved.
- b. The Division did not follow up on 2 complaints in a timely manner. The Division did not send follow-up correspondence to the unlicensed manufactured housing communities until 6 and 8 months after previous correspondence.
- c. The Division did not complete 3 home inspections and provide the reports to the complainants and respondents in a timely manner. The Division provided the home inspection reports to the complainants and respondents from 102 to 199 days after the inspections.
- d. The Division did not close 4 complaints on the computer system in a timely manner. These complaints were closed on the computer system from 78 to 922 days after the complaints were resolved.

The Division did not periodically review case activity for complaint files on the system, which would identify cases needing follow-up or closure. Periodically reviewing open complaint files on the system could help ensure an efficient complaint process by providing a method for monitoring case activity. In addition, maintaining current activity on the computer system will help monitor complaints more efficiently.

Efficient resolution of complaints helps to increase consumer confidence in the manufactured housing industry, the Division, and the Manufactured Housing Commission.

RECOMMENDATIONS

We recommend that the Division follow up and resolve complaints in a timely manner.

We also recommend that the Division periodically review the computer system for open complaint files.

AGENCY PRELIMINARY RESPONSE

The Bureau agreed with the recommendations and acknowledged that it should follow up and close complaints in a timely manner. The Bureau indicated it would review the status of open complaint files on a more frequent basis to ensure that complaints are followed up and closed on the database on a timely basis.

FINDING

6. License File Documentation

The Manufactured Housing Division license files did not include documentation that all requirements to obtain a license were fulfilled. In addition, the Division did not complete criminal background investigations on new license applicants.

Sections 125.2316 and 125.2321 of the *Michigan Compiled Laws* (Mobile Home Commission Act); *Michigan Administrative Code* R125.1202a, R125.1202b, R125.1214j, R125.1214m, and R125.1416 (Manufactured Housing Rules); and Division procedures establish requirements to obtain a license for communities, retailers, installers, and servicers.

Our test of 85 new and renewal licenses issued during fiscal years 1995-96 through 1998-99 disclosed 14 licenses with 17 occurrences of missing documentation required by the licensing process. The missing documentation included 3 license renewal applications, 2 license review forms, 2 license payment verifications, 1 local tax statement, 3 liability insurance verifications, 2 credit reports, 3 disclosure statements, and 1 salesperson disclosure form.

In addition, the Division informed us that it did not complete criminal background investigations on new license applicants, even though licensing documentation included the applicant's authorization for a criminal background investigation.

The requirements of the licensing process help ensure that applicants meet the established qualifications to operate within the manufactured housing industry.

RECOMMENDATIONS

We recommend that the Division ensure that licensing files include documentation that all requirements to obtain a license were fulfilled.

We also recommend that the Division complete criminal background investigations on new license applicants.

AGENCY PRELIMINARY RESPONSE

The Bureau agreed with the recommendations and indicated that it will comply with the first recommendation by ensuring that licensing files include documentation of all requirements for licensing. In addition, the Bureau indicated that it has complied with the second recommendation by implementing criminal background investigations.

FINDING

7. Condominium Program Expenditures

The Manufactured Housing Division did not ensure that manufactured housing revenue was used exclusively for manufactured housing expenditures.

Section 125.2309 (2) of the *Michigan Compiled Laws* (Mobile Home Commission Act) requires that fees and charges under the Act are applied solely to the implementation of the Act. To comply with the requirements of the Act, only expenditures for manufactured housing activities should be funded with manufactured housing revenue.

Division responsibilities include manufactured housing, land sales, and condominium functions. Payroll expenditures for condominium functions were

funded from manufactured housing revenue. One half of a professional staff member's responsibilities were for land sales and condominium functions. Payroll expenditures for land sales and condominium functions of \$56,000 and \$27,600, respectively, for the three fiscal years ended September 30, 1998 were charged to the Division's expenditures. The Division received land sales revenue of \$64,700 for the three fiscal years ended September 30, 1998. However, the Division received no revenue for condominium functions. As a result, the Division funded condominium payroll expenditures of \$27,600 from manufactured housing and land sales revenue.

RECOMMENDATION

We recommend that the Division ensure that manufactured housing revenue is used exclusively for manufactured housing expenditures.

AGENCY PRELIMINARY RESPONSE

The Bureau agreed with the recommendation and indicated that it will comply with the recommendation by working within the budget process to design an appropriation structure that accurately and realistically reflects the functional operation of the agency.

Glossary of Acronyms and Terms

CIS	Department of Consumer and Industry Services.
common corners	A public land survey corner or property controlling corner that controls property lines in more than one surveyed township.
control station	A point on the ground, the horizontal or vertical location of which is used as a basis for obtaining locations of other points.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
installer and servicer	A person, including a manufactured home dealer, who installs or repairs manufactured homes for compensation.
land corner recordation certificate	A corner record prepared by a professional surveyor and filed with the county register of deeds, conforming with the requirements of Act 74, P.A. 1970.
manufactured home	A structure, transportable in one or more sections that is built on a chassis and designed to be used as a dwelling with or without permanent foundation when connected to the required utilities and includes the plumbing, heating, air conditioning, and electrical systems contained in the structure.

manufactured housing community	A parcel or tract of land under the control of a person upon which three or more manufactured homes are located on a continual, non-recreational basis or a continual or temporary basis, but occupied on a temporary basis only, and are offered to the public for that purpose, regardless of whether a charge is made therefore, together with any building, structure, enclosure, street, equipment, or facility used or intended for use incident to the occupancy of a manufactured home.
mission	The agency's main purpose or the reason the agency was established.
monument	To install a marker that meets or exceeds minimum standards.
municipal boundary adjustment	The incorporation of a new city or village; consolidation of two or more cities, villages, or townships as a new city; or annexation of a territory to a city where the State Boundary Commission has jurisdiction over annexation proceedings.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
performance indicators	Information of a quantitative or qualitative nature indicating program outcomes, outputs, or inputs. Performance indicators are typically used to assess achievement of goals and/or objectives.

performance standards	A desired level of output or outcome as identified in statutes, regulations, contracts, management goals, industry practices, peer groups, or historical performance.
plat	A map or chart of a subdivision of land.
private claim corners	A corner of land that was privately owned, primarily from land grants to private citizens, before the federal government took over the northwest territory.
property controlling corner	A public land survey corner or any property corner that does not lie on a property line of the property in question but that controls the location of one or more of the property corners of the property in question.
public land survey corner	Any corner actually established and monumented in an original survey or resurvey used as a basis of legal description.
remonumentation	To install a marker where the existing marker does not meet minimum standards as specified; the existing marker is in danger of becoming lost or obliterated; or the public land survey or property controlling corner has been lost or obliterated.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
retailer	Person, other than a manufacturer, engaged in the business of buying manufactured homes for resale, exchange, lease, or rent or offering manufactured homes for sale, lease, rent, or exchange to customers.

state plane coordinates	A system of two or more points, defined in Act 154, P.A. 1988, for designating the position of other points on or near the surface of the earth within this State.
type II transfer	A transfer of an existing department, board, commission, or agency to a principal department.
type III transfer	A transfer abolishing an existing department, board, commission, or agency and all its statutory authority, powers, duties, functions, records, personnel, property, unexpended balances of appropriations, allocations or other funds, are transferred to that principal department.