

EXECUTIVE DIGEST

REVENUE ADMINISTRATIVE SERVICES DIVISION

INTRODUCTION	This report, issued in July 2001, contains the results of our performance audit* of the Revenue Administrative Services Division (RASD), Department of Treasury.
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	<p>RASD provided support services to the Bureau of Revenue and to the public. RASD received, sorted, stored, and tracked taxpayer documents for the various taxes collected by the Bureau. It also stored supplies and collected and prepared confidential information for shredding. In addition, it served as the major outreach and information provider for the Bureau through its management of the various systems available for taxpayers to request information and forms.</p> <p>Expenditures for RASD were approximately \$3.8 million for fiscal year 1999-2000. RASD's staff consisted of 67 employees as of October 28, 2000.</p> <p>Effective October 30, 2000, a Department of Treasury reorganization eliminated the Bureau of Revenue and</p>

RASD (a unit within the Bureau) as operational units. The Bureau was reorganized as Revenue Administration with three major program areas and two offices: Tax Processing Bureau, Customer Service Bureau, Tax Compliance Bureau, Office of Legal and Hearings, and Office of Policy and Research Development. (These bureaus now are known as centers.) However, the services and processes formerly performed by RASD still exist under the control of Revenue Administration in the new operational units.

AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS

Audit Objective: To assess the effectiveness and efficiency of RASD's procedures and controls for storing, microfilming, and disposing of confidential taxpayer information.

Conclusion: We concluded that RASD's procedures and controls for storing, microfilming, and disposing of confidential taxpayer information were generally effective and efficient. However, our assessment disclosed reportable conditions* related to access to confidential information and confidential records destruction (Findings 1 and 2).

Noteworthy Accomplishments: The Department installed a new document management software program that allows it to retain documents in the warehouse in random order, with the system tracking the exact location for easy retrieval.

Audit Objective: To assess the effectiveness of services provided to taxpayers.

Conclusion: We concluded that RASD generally provided services to taxpayers in an effective manner.

However, our assessment disclosed a reportable condition related to Problem Resolution Office reporting (Finding 3).

Noteworthy Accomplishments: Starting in October 1999, the Department conducted a business process reengineering (BPR) project to evaluate the Department's operations. This was a departmentwide initiative that had an ultimate goal to improve customer service by improving the way that the Department did business. As a result of this project, the Department reorganized the Bureau of Revenue effective October 30, 2000. The Bureau was reorganized as Revenue Administration with three major program areas and two offices: Tax Processing Bureau, Customer Service Bureau, Tax Compliance Bureau, Office of Legal and Hearings, and Office of Policy and Research Development. Implementation of the BPR project's findings and recommendations will continue over a period of time and will include an increased focus on efforts to improve customer service through the quantification and measurement of the Department's efforts to provide effective and efficient services.

The Department also reported that it provided training to volunteer groups that prepare State tax returns for elderly and low-income citizens. This helps ensure that the groups are completing forms accurately, which in turn helps ensure the prompt processing of refunds for filers. Further, the Department developed tax preparation videos, with 600 copies distributed to libraries and legislative offices that provide guidance for their constituents.

The Department further reported that it provided additional hours of operation for its taxpayer assistance toll-free telephone line during the 2000 tax season.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Revenue Administrative Services Division.

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 primarily covering the period October 1997 through August 2000. Our methodology included a preliminary review of RASD's operations to gain an understanding of RASD's activities and to form a basis for selecting certain operations for audit. The preliminary review consisted of discussions with staff regarding their functions and responsibilities and a review of Department and RASD policy directives and operating procedures.

We assessed RASD's mission*, goals*, and objectives*, including efforts to measure its performance compared to expected outcomes*.

We reviewed the overall security controls for transporting, filing, storing, microfilming, and disposing of confidential taxpayer information.

We reviewed records and assessed the operations of various taxpayer services provided by RASD. To evaluate the effectiveness of services provided, we conducted a survey (see supplemental information) to determine taxpayers' satisfaction with the taxpayer assistance toll-free telephone line used to talk to Department representatives about preparing various Michigan income tax forms.

We reviewed and assessed written operating procedures for RASD.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report includes 3 findings and 3 corresponding recommendations. The Department's preliminary response indicated that it agrees with the findings and has complied or will comply with the recommendations.

The Department complied with 2 of the 4 prior audit recommendations included within the scope of our current audit. The other 2 recommendations were rewritten for inclusion in this audit report.