



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Report Number:
271-0245-08

Principal Residence Exemption Program

Department of Treasury

Released:
March 2009

In 1994, Michigan voters approved Proposal A, which provided an exemption, now known as a principal residence exemption (PRE), from the 18-mill school operating tax. The Department of Treasury administers the PRE Program, which is responsible for ensuring the validity of PREs that are claimed by property owners. This performance audit was required by Section 947, Act 261, P.A. 2008.

Audit Objective:

To assess the effectiveness of the Department's efforts to identify and to audit questionable PREs in counties that have elected to have the State perform these compliance audits.

Audit Conclusion:

We concluded that the Department was effective in its efforts to identify and to audit questionable PREs in counties that have elected to have the State perform these compliance audits. However, we noted one reportable condition (Finding 1).

Reportable Condition:

The Department should take additional steps to ensure that it has complete and accurate tax assessment roll data when it performs PRE compliance audits (Finding 1).

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Audit Objective:

To assess the effectiveness of the Department's efforts to assist and to monitor counties that have elected to perform PRE compliance audits.

Audit Conclusion:

We concluded that the Department was moderately effective in its efforts to assist and to monitor counties that have elected to perform PRE compliance audits. We noted three reportable conditions (Findings 2 through 4).

Reportable Conditions:

The Department did not provide counties with data on all parcels with questionable PREs that had been claimed by property owners (Finding 2).

The Department could improve its assistance to counties by providing audit guidance, audit-related training, and aid in obtaining and using Statewide data (Finding 3).

The Department should seek amendatory legislation to improve PRE Program reporting by local governmental units (Finding 4).

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Agency Response:

Our audit report contains 4 findings and 4 corresponding recommendations. The Department's preliminary response indicated that it agrees with all of the recommendations.

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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: <http://audgen.michigan.gov>



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General