



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

November 4, 2013

Doug Ringler, Director  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 South Capitol, 6<sup>th</sup> Floor  
Lansing, MI 48913

Dear Mr. Ringler,

In accordance with the State of Michigan, Financial Management Guide, Part VII, the following is a summary table identifying our response and corrective action plan to address recommendations contained within the Office of the Auditor General's Performance Audit of the Refined Petroleum Fund (RPF) Expenditures, Report Number 761-0115-13, from fiscal year 2004-2005 through fiscal year 2011-2012.

1. Audit recommendations the agency complied with: None
2. Audit recommendations the agency agrees with and will comply: None
3. Audit recommendations the agency disagrees with:

**General Obligation Bond Payments:**

We recommend that RPF funds be appropriated and expended in accordance with the purposes defined in Sections 324.21501 – 324.21563 of the Michigan Compiled Laws.

**Agency Plan:**

The Department of Treasury disagrees with the finding. The Department utilized RPF funds for the payment of debt service, as appropriated by the Legislature, signed by the Governor, and enacted into Michigan law over a 10-year period. In addition, the Department believes that Act 259 P.A. 1982, supersedes Section 324.21506a(4) of the *Michigan Compiled Laws*. Act 259, P.A. 1982 (specifically, Section 12.62 of the *Michigan Compiled Laws*), states:

It shall be the duty of the state treasurer to pay or cause to be paid the principal of and interest on all obligations of this State as the same become due from any money or revenue pledged therefor or

from any other state money or revenue under the control or custody of the state treasurer other than retirement funds, trust and agency funds, bond proceeds funds, debt service funds, restricted gifts and grants, or revenue restricted by the state constitution of 1963 for other purposes....

Pursuant to Act 259, P.A. 1982, the Department believes that it was justified in using RPF funds for the payment of debt service.

The finding suggests that the Department seek an amendment to Section 324.21506a(4) of the *Michigan Compiled Laws* to allow payment of debt service from RPF. It is the Department's position that DEQ has ownership of RPF and it would be incumbent upon DEQ, in conjunction with the State Budget Office, to seek any amendments to the RPF language.

Should you have any questions regarding the summary table or corrective action plan, please contact Bruce Hanses at (517) 335-0967 or at HansesB@michigan.gov.

Sincerely,

Signature Redacted

Joseph L. Fielek, Acting Deputy State Treasurer  
Financial and Administrative Services

Cc: Dennis Muchmore, Executive Office  
Wendy Siegel, Executive Office  
Thomas McTavish, Office of the Auditor General  
Mary Ann Cleary, House Fiscal Agency  
Ellen Jeffries, Senate Fiscal Agency  
Earl Poleski, House Appropriations Sub-committee  
John Pappageorge, Senate Appropriations Sub-committee  
Jeff Farrington, House Standing Committee  
Jack Brandenburg, Senate Standing Committee  
Tom Saxton, Treasury  
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Bruce Hanses, Treasury  
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