



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

March 5, 2013

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

Dear Director:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is the Department of Treasury's summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Department of Treasury, Use of Transportation – Related Funding.

Questions regarding the summary table or corrective action plans should be directed to Suzie Nichols, Administrator, Office of Finance and Accounting at NicholsS4@michigan.gov or (517) 373-3165.

Sincerely,

Signature Redacted

Mary G. MacDowell
Chief Deputy Treasurer

Attachment

c: Andy Dillon, State Treasurer
Thomas McTavish, Office of the Auditor General
Mary Ann Cleary, House Fiscal Agency
Ellen Jeffries, Senate Fiscal Agency
Representative Wayne Schmidt
Representative Rob VerHeulen
Senator Tom Casperson
Senator John Pappageorge
Suzie Nichols, Treasury, Office of Finance and Accounting

Use of Transportation-Related Funding
Department of Treasury
Summary of Agency Responses to Recommendations
October 1, 2009 through September 30, 2011

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

RECOMMENDATION

We again recommend that the Department of Treasury document that its allocation of expenditures to MTF and SAF was based on the level of activity necessary to administer and enforce the Motor Fuel Tax Act.

AGENCY RESPONSE

The Department of Treasury agrees that charges to MFT and SAF should be based on the proportion of the Department's costs that relate to administering and enforcing the Motor Fuel Tax Act. The Department believes that allocating expenditures based on the percentage of transportation-related collections to total tax collections is a reasonable allocation methodology based on the way that the Department's tax-related functions are organized. However, in response to prior audit findings, the Department contracted with a third party to develop recommendations on an improved allocation methodology that was based on the level of activity instead of collections. The recommendations are currently under review in the Department. The Department will be testing a new cost allocation methodology for fiscal year 2013 based on the recommendations of the third party.

UPDATE TO INITIAL RESPONSE

The Department of Treasury has reviewed the recommendations of the third party relative to a new cost allocation plan based on expenditures of the department. This new allocation method will be documented and provided to MDOT for review and approval. This should be accomplished by May 2013 and billing for 2013 will be based on this new methodology.

3. Audit recommendations the agency disagrees with: **None**